
GRANT NUMBER 0598-PNG(EF)
(Additional Financing to Grant 0447-PNG[EF])

GRANT AGREEMENT
(Externally Financed – Government of Australia)
(Building Resilience to Climate Change in Papua New Guinea – Additional Financing)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

ASIAN DEVELOPMENT BANK

DATED 19 September 2018

PNG 46495

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 19 September 2018 between
INDEPENDENT STATE OF PAPUA NEW GUINEA ("Recipient") and ASIAN DEVELOPMENT
BANK ("ADB").

WHEREAS

(A) by a grant agreement dated 15 January 2016 between the Recipient and ADB ("Original SCF Grant Agreement"), ADB agreed to provide a grant to the Recipient from the Strategic Climate Fund ("SCF") in the amount of twenty-four million two hundred fifty thousand Dollars (\$24,250,000) ("Original SCF Grant") for the purposes of the Project described in Schedule 1 to the Original SCF Grant Agreement ("Original Project");

(B) by a project agreement dated 15 January 2016 between the Climate Change and Development Authority ("CCDA") and ADB ("Original Project Agreement"), CCDA agreed to undertake certain obligations towards ADB as set forth in the Original Project Agreement;

(C) by a grant agreement of even date herewith between the Recipient and ADB ("Additional SCF Grant Agreement"), ADB has agreed to provide an additional grant to the Recipient from the SCF in the amount of five million Dollars (\$5,000,000) ("Additional SCF Grant") for the purposes of the Project described in Schedule 1 to the Additional SCF Grant Agreement;

(D) the Recipient has also applied to the Government of Australia, through its Department of Foreign Affairs and Trade ("DFAT"), for a grant, to be administered by ADB, for the purposes of the Project described in Schedule 1 to the Additional SCF Grant Agreement;

(E) by a cofinancing agreement dated 6 February 2018 between ADB and DFAT ("Cofinancing Agreement"), DFAT has agreed to provide, and ADB has agreed to administer, the grant provided for herein upon the terms and conditions set out in the Cofinancing Agreement;

(F) the Project will be carried out by CCDA, and for this purpose the Recipient will make available to CCDA the proceeds of the grant provided for herein upon terms and conditions satisfactory to ADB; and

(G) ADB has agreed to make the proceeds of the grant from DFAT available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement to be entered into among ADB, CCDA and the Milne Bay Provincial Government ("MBPG");

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of ADB's Externally Financed Grant Regulations, dated 1 January 2017 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations, the Original SCF Agreement and the Additional SCF Grant Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires.

ARTICLE II

The Grant

Section 2.01. (a) ADB agrees to make available to the Recipient a grant from DFAT in the amount of two million nine hundred seventy-five thousand one Dollars (\$2,975,001), as such amount may be adjusted from time to time in accordance with subsection (b) hereinafter.

(b) The amount of the Grant shall be adjusted from time to time to account for currency fluctuations, such that the amount of the Grant, denominated in Dollars, shall be equivalent to four million Australian Dollars (A\$4,000,000) at the time that ADB converted the resources made available to ADB by DFAT for the purposes of the Grant.

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall make the proceeds of the Grant available to CCDA under a Subsidiary Grant Agreement upon terms and conditions satisfactory to ADB.

(b) The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement, Additional SCF Grant Agreement and the Project Agreement.

(c) The Recipient agrees that the proceeds of the Grant may be used to pay ADB's administration fees and other charges pursuant to the Cofinancing Agreement. ADB shall be entitled to withdraw from the Grant Account and pay to itself, on behalf of the Recipient, the amounts required to meet payments, when due, of such administration fees and other charges.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of the Schedule to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to the Additional SCF Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 April 2022 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 to the Additional SCF Grant Agreement.

Section 4.02. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods, Works and Services and any relevant records and documents.

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable CCDA and MBPG to perform their obligations under the Project Agreement and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the Grant.

(b) No rights or obligations under the Subsidiary Grant Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

Section 4.06. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for DFAT. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from DFAT and such proceeds has not been suspended or cancelled in whole or in part by DFAT pursuant to the Cofinancing Agreement, and (b) that ADB does not assume any obligations or responsibilities of DFAT in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Additional SCF Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, shall have become legally binding upon the Recipient in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement) shall have been fulfilled.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: the Additional SCF Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, and is legally binding upon the Recipient in accordance with its terms.

Section 5.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Secretary of the Recipient's Department of Treasury is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Secretary, Department of Treasury
The Treasury, Waigani Drive
P.O. Box 542
Waigani 131, National Capital District
Papua New Guinea

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2446.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

INDEPENDENT STATE OF PAPUA NEW
GUINEA

By 

CHARLES ABEL
Deputy Prime Minister and
Minister of Treasury

ASIAN DEVELOPMENT BANK

By 

DAVID J. HILL
Country Director
Papua New Guinea Resident Mission

SCHEDULE

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure, as set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Condition for Withdrawals from Grant Account

5. Notwithstanding any other provision of this Grant Agreement, no withdrawal shall be made from the Grant Account until the Subsidiary Grant Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Recipient and CCDA and shall have become fully effective and legally binding upon the Recipient and CCDA in accordance with its terms.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for DFAT Financing (\$)	Basis for Withdrawal from the Grant Account
		Category	
1	Works and Consulting Services*	2,833,334	37% of total expenditure claimed
2	Administration fees**	141,667	100% of amounts due
	TOTAL	2,975,001	

*Subject to the disbursement condition set forth in paragraph 5 of the Schedule.

**Administration fees and other charges may be deducted from this amount, pursuant to the Cofinancing Agreement.