
GRANT NUMBER 0940-TUV(EF)

GRANT AGREEMENT
(Externally Financed)

(Increasing Access to Renewable Energy Project – Additional Financing)

between

TUVALU

and

ASIAN DEVELOPMENT BANK

DATED 14 DECEMBER 2023

TUV 49450

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 14 December 2023 between TUVALU ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a grant agreement dated 6 November 2019 between the Recipient and ADB ("Initial Grant Agreement"), ADB provided a grant to the Recipient in the amount of six million Dollars (\$6,000,000) for the purposes of the Increasing Access to Renewable Energy Project as described in Schedule 1 to the Initial Grant Agreement ("Initial Project");

(B) by a grant agreement of even date herewith between the Recipient and ADB ("ADB Grant Agreement"), ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources in the amount of two million Dollars (\$2,000,000) for the purposes of the Project described in Schedule 1 to the ADB Grant Agreement ("Project");

(C) by a grant agreement of even date herewith between the Recipient and ADB ("GEF Grant Agreement"), ADB has agreed make available to the Recipient a grant from Global Environment Facility in the amount of three million Dollars (\$3,000,000) ("GEF Grant") for the purposes of cofinancing the Project;

(D) by a grant agreement of even date herewith between the Recipient and ADB ("ITF Grant Agreement"), ADB has agreed make available to the Recipient a grant from the Ireland Trust Fund for Building Climate Change and Disaster Resilience in Small Island Developing States in the amount of eight hundred thousand Dollars (\$800,000) (ITF Grant) for the purposes of cofinancing the Project;

(E) the Recipient has also applied to Urban Resilience Trust Fund Under the Urban Financing Partnership Facility ("URTF"), for a grant, to be administered by ADB, for the purposes of cofinancing the Project;

(F) URTF has agreed to provide a grant for the purposes of cofinancing the Project and ADB has agreed to administer the grant; and

(G) ADB has agreed to make the proceeds of the grant from URTF available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and TEC;

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 2022 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

- (a) Section 2.01(m) is deleted and the following is substituted therefor:

"Project Agreement" means the project agreement of even date herewith between ADB and Tuvalu Electricity Corporation, as such agreement may be amended from time to time; and such project agreement includes all schedules to the Project Agreement;

- (b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(c), 8.01(e), 8.01(i), 9.01(b) and 9.02(b) of the Grant Regulations shall be substituted by the term "Tuvalu Electricity Corporation".

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

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from URTF in the amount of two million Dollars (\$2,000,000) ("Grant").

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall make the proceeds of the Grant available to the Project implementing Agency under a Subsidiary Grant Agreement upon terms and conditions satisfactory to ADB, and shall cause the proceeds of the Grant to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 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 ADB Grant Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2028 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 ADB Grant Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

Section 4.03. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for URTF. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from URTF and such proceeds have not been suspended or cancelled in whole or in part by URTF, and (b) that ADB does not assume any obligations or responsibilities of URTF in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V

Suspension

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

- (a) the Recipient or TEC shall have failed to perform any of its obligations under the Subsidiary Grant Agreement; and
- (b) the Initial Grant shall have become liable for suspension or cancellation in accordance with the terms of the Initial Grant Agreement.

ARTICLE VI**Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

- (a) the ADB Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement, the GEF Grant Agreement and the ITF Grant Agreement) shall have been fulfilled;
- (b) the GEF Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement, the ADB Grant Agreement and the ITF Grant Agreement) shall have been fulfilled; and
- (c) the ITF Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement, the ADB Grant Agreement and the GEF Grant Agreement) shall have been fulfilled.

Section 6.02. 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 VII**Termination**

Section 7.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on a date 25 years after the date of this Agreement.

ARTICLE VIII**Miscellaneous**

Section 8.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
Private Mail Bag
Vaiaaku, Funafuti
Tuvalu

Facsimile Number:

(688) 20210.

For ADB

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

Facsimile Numbers:

(632) 8636-2444

(632) 8636-2446.

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.

TUVALU

By 
RACHEL THOMPSON
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
LEAH GUTIERREZ
Director General
Pacific Department

SCHEDULE 1**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.

Conditions for Withdrawals from Grant Account

5. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account until:

- (a) the Subsidiary Grant Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Recipient and the Project Implementing Agency and shall have become legally binding upon each in accordance with its terms; and

- (b) TEC is adequately staffed, to ADB's satisfaction, with financial management and accounting specialists familiar with, and having a good working understanding of relevant policies and procedures of ADB with respect to financial management, accounting and reporting.

TABLE

| ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS | | | |
|--|--|--|--|
| Number | Item* | Total Amount Allocated for ADB Financing (\$) | Basis for Withdrawal from the Grant Account |
| 1 | Design-Build-Operate (floating PV, PUEs, SBEs, O&M)** | 1,400,000 | 35.18% of total expenditure claimed* |
| 2 | Consulting services (project management, project implementation, capacity building program and community initiatives)** | 600,000 | 36.59% of total expenditure claimed* |
| | TOTAL | 2,000,000 | |

* Exclusive of taxes and duties imposed within the territory of the Recipient.

** Subject to the conditions for withdrawal described in paragraph 5 of Schedule 1.