
GRANT NUMBER 0765-BHU(SF)
(Additional to Loan No. 3668-BHU[COL] and Grant No. 0573[SF])

GRANT AGREEMENT
(Special Operations)

(Phuentsholing Township Development Project – Additional Financing)

between

KINGDOM OF BHUTAN

and

ASIAN DEVELOPMENT BANK

DATED 14 DECEMBER 2020

BHU 50165

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 14 December 2020 between KINGDOM OF BHUTAN ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 3 July 2018 between the Recipient and ADB ("Original ADB Loan Agreement"), ADB agreed to make a concessional loan to the Recipient from ADB's ordinary capital resources in an amount of twenty-eight million seven hundred forty thousand Dollars (\$28,740,000) for the purposes of the project described in Schedule 1 of the Original ADB Loan Agreement ("Project");

(B) by a grant agreement dated 3 July 2018 between the Recipient and ADB ("Original ADB Grant Agreement"), ADB agreed to make a grant to the Recipient from ADB's Special Funds resources in an amount of twenty-four million two hundred sixty thousand Dollars (\$24,260,000) ("Original ADB Grant") for the purposes of the Project;

(C) by a loan agreement of even date herewith between the Recipient and ADB ("Loan Agreement"), ADB has agreed to make an additional concessional loan to the Recipient from ADB's ordinary capital resources in the amount of eighteen million five hundred thousand Dollars (\$18,500,000) ("ADB Loan") for the purpose of financing cost overruns under the Project;

(D) the Recipient has applied to ADB for an additional grant for the purpose of financing cost overruns under the Project;

(E) the Project will be carried out by Druk Holding and Investments Limited ("DHI") as Project Executing Agency (as defined hereinafter) and implemented by Construction Development Corporation Limited ("CDCL") as Implementing Agency (as defined hereinafter), and for this purpose the Recipient will make available to the Project Executing Agency and Implementing Agency the proceeds of the grant provided for herein upon terms and conditions satisfactory to ADB; and

(F) ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB, on the one part, and DHI and CDCL, on the other part;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of ADB's Special Operations 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, 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, on the one part, and DHI and CDCL, on the other part, 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 terms “DHI” and “CDCL”.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations, the Original ADB Loan Agreement and the Loan 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 from ADB’s Special Funds resources an amount of ten million Dollars (\$10,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall make the proceeds of the Grant available to the Project Executing Agency as a grant under a Subsidiary Financing Agreement upon terms and conditions satisfactory to ADB and shall cause the Project Executing Agency and the Implementing Agency to apply such proceeds 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 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 4 to the Original ADB Loan Agreement.

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

- (a) Works 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) Works 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 31 December 2025 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 Loan Agreement and the Project 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 Works, and any relevant records and documents.

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable the Project Executing Agency and Implementing Agency 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 Financing 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 Financing Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

ARTICLE V

Suspension

Section 5.01. The following is specified as an additional event 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: the Recipient or DHI shall have failed to perform any of their respective obligations under the Subsidiary Financing 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 Loan 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) shall have been fulfilled; and
- (b) the Subsidiary Financing Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of each of the Recipient and DHI shall have become legally binding upon each of them in accordance with its terms.

Section 6.02. 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: that the Subsidiary Financing Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, each of the Recipient and DHI and is legally binding upon each of them in accordance with its terms.

Section 6.03. 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 VII

Termination

Section 7.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on the date on which the Loan Agreement terminates.

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
Royal Government of Bhutan
Thimphu, Bhutan

Facsimile Number:

(975) 2 323 154

For ADB

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

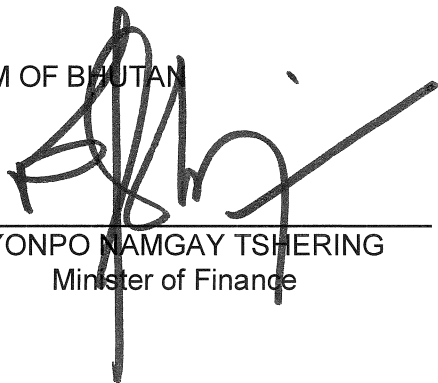
Facsimile Numbers:

(632) 8636-2444
(632) 8636-2391.

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.

KINGDOM OF BHUTAN

By



LYONPO NAMGAY TSHERING
Minister of Finance

ASIAN DEVELOPMENT BANK

By



KANOKPAN LAO-ARAYA
Country Director
Bhutan Resident Mission

SCHEDULE

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Category of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to such Category ("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.

Retroactive Financing

5. Withdrawals from the Grant Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Grant Agreement in connection with Works, subject to a maximum amount equivalent to 20% of the Grant amount.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
		Category	
1	Works**	10,000,000	100% of total expenditure claimed*
	TOTAL	10,000,000	

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

** Financing allocated to this item under the Original ADB Grant Agreement will be utilized first and following its full utilization, disbursements under this Category may be undertaken.