
GRANT NUMBER 0602-NEP(EF)

GRANT AGREEMENT
(Externally Financed)
(Disaster Resilience of Schools Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 20 NOVEMBER 2018

NEP 51190

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 20 November 2018 between NEPAL ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Recipient and ADB ("Loan Agreement"), ADB has agreed to make a loan to the Recipient from ADB's ordinary capital resources in the amount of one hundred forty-eight million eight hundred sixty-four thousand (\$148,864,000) for the purposes of the Project described in Schedule 1 to the Loan Agreement;

(B) by a grant agreement of even date herewith between the Recipient and ADB ("Grant Agreement"), ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources in the amount of ten million Dollars (\$10,000,000) for the purposes of the Project described in Schedule to the Loan Agreement;

(C) the Recipient has applied to Clean Energy Fund ("CEF") under the Clean Energy Financing Partnership Facility for a grant, to be administered by ADB, for the purposes of cofinancing expenditures under the Project;

(D) pursuant to the terms and conditions of CEF, CEF has agreed to provide, and ADB has agreed to administer, the grant provided for herein; and

(E) ADB has agreed to make the proceeds of the grant from CEF available to the Recipient upon the terms and conditions set forth herein;

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 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 a grant from CEF in the amount of five million Dollars (\$5,000,000) ("Grant").

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. 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.

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 the Loan Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 March 2023 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 the Loan Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Grant proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that

were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) 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.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.

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

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for CEF. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from CEF and such proceeds has not been suspended or cancelled in whole or in part by CEF, and (ii) that ADB does not assume any obligations or responsibilities of CEF in respect of the Project or the Grant other than those set out in this Grant Agreement.

Section 4.05. The Recipient shall ensure, or cause the EA to ensure, that the contracts to be financed by the Grant are output-based and that the outputs are subject to independent verification prior to withdrawal of Grant proceeds.

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 shall have failed to perform any of its obligations under the Loan Agreement and the Grant Agreement.

ARTICLE VI

Effectiveness

Section 6.01. 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 execution and delivery of the Loan Agreement and the Grant Agreement on behalf of the Recipient shall have been authorized or ratified by all necessary governmental action.

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 loan Agreement and the Grant Agreement each has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding on the Recipient 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. This Grant Agreement and all obligations of the parties hereunder shall terminate on the date on which both of the Loan Agreement and Grant Agreement shall have terminated.

ARTICLE VIII

Miscellaneous

Section 8.01. The Secretary of the MOF 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
Singha Durbar
Kathmandu, Nepal

Facsimile Numbers:

(977) 1 421 1164
(977) 1 421 1165

For ADB


Asian Development Bank
Nepal Resident Mission
Metro Park Building, Lazimpat
Ward No. 2, P.O. Box 5017
Kathmandu, Nepal

Facsimile Number:

(977) 1 400 5137.

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.

NEPAL

By 
RAJAN KHANAL
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
MUKHTOR KHAMUKHANOV
Country Director
Nepal 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 or Subcategory 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.

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 and Consulting Services, 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 CEF Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Solar Power Systems	4,050,000	88.5% of total expenditure claimed
2	Solar Installation Consultant	680,000	88.5% of total expenditure claimed
3	Unallocated	270,000	
	TOTAL	5,000,000	