
GRANT NUMBER 0792-TIM(EF)

GRANT AGREEMENT
(Externally Financed)

(Water Supply and Sanitation Investment Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

ASIAN DEVELOPMENT BANK

DATED 6 AUGUST 2021

TIM 53395

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 6 AUGUST 2021 between DEMOCRATIC
REPUBLIC OF TIMOR-LESTE ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Recipient and ADB ("ADB Loan Agreement"), ADB has agreed to make a loan to the Recipient from ADB's ordinary capital resources in the amount of \$47,000,000 for the purposes of the Project described in Schedule 1 to the ADB Loan Agreement;

(B) the Recipient has, through ADB, applied to the Global Environment Facility Trust Fund ("GEF") for a grant, to be administered by ADB, for the purposes of cofinancing expenditures under the Project, and ADB has agreed to administer the grant provided for herein pursuant to the Financial Procedures Agreement between ADB and the International Bank for Reconstruction and Development as the Trustee of GEF, dated 23 October 2008, as amended; and

(C) ADB has agreed to make the proceeds of the grant from GEF 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 ADB Loan Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings:

- (a) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Grant;
- (b) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Grant, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;

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- (c) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Grant; and
- (d) "Services" means Consulting Services and Nonconsulting Services.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from the Global Environment Facility Trust Fund in the amount of three million Dollars (\$3,000,000) ("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 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 ADB Loan Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 March 2029 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 4 to the ADB 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, Works and Services, 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 GEF. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from GEF and such proceeds has not been suspended or cancelled in whole or in part by GEF pursuant to the relevant cofinancing arrangements, and (b) that ADB does not assume any obligations or responsibilities of GEF in respect of the Project or the Grant other than those set out in this Grant Agreement.

Section 4.05. The Recipient shall comply with the Communication and Visibility Guidelines of GEF; and in particular, the Recipient shall include a GEF logo in all relevant Project publications and on any equipment or facility funded by GEF. For the purposes of this provision, "Communication and Visibility Guidelines of GEF" means the communication and visibility guidelines for external actions funded by the GEF included in the communication and visibility policy approved by the GEF Council in May 2011, as amended from time to time.

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

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Regulations: the ADB Loan Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, and all conditions precedent to its effectiveness, other than a condition requiring 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 ADB Loan 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

Termination

Section 6.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on the date on which the ADB Loan Agreement terminates.

ARTICLE VII

Miscellaneous

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
Avenida de Portugal
Rua Baleia, Edifício do Ministério das Finanças. 10. andar
Aitarak Laran
Dili, Timor-Leste

Facsimile Number:

+670 332-1339.

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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.

DEMOCRATIC REPUBLIC
 OF TIMOR-LESTE

By _____

RUI AUGUSTO GOMES
 Minister of Finance



ASIAN DEVELOPMENT BANK

By _____

SUNIL MITRA
 Country Director
 Timor-Leste 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, in consultation with 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, in consultation with 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.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
No.	Item	Amount Allocated for GEF Financing Category (\$)	Basis for Withdrawal from the Grant Account
1	Goods (Equipment)	2,400,000	36.4% of total expenditure claimed*
2	Consulting Services (Project management consultant)	500,000	8.0% of total expenditure claimed*
3	Consulting Services (Capacity development)	100,000	26.3% of total expenditure claimed*
	Total	3,000,000	

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

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