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GRANT NUMBER 0471-LAO(EF)

GRANT AGREEMENT  
(Externally Financed)

(Vientiane Sustainable Urban Transport Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 3 MARCH 2016

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LAO 45041

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 3 March 2016 between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a separate agreement dated 12 March 2015 between the Recipient and ADB, ADB has agreed to lend to the Recipient from ADB's Special Funds resources an amount in various currencies equivalent to 23,474,000 Special Drawing Rights ("Loan Agreement") for purposes of financing the project described in Schedule 1 to the Loan Agreement ("Project");

(B) the Recipient has, through ADB, applied to the Global Environment Facility Trust Fund ("GEF") for a grant in the amount of \$1,840,000, to be administered by ADB pursuant to relevant cofinancing arrangements with GEF ("Grant"), for purposes of cofinancing certain Project activities as further detailed in Schedule 1 hereto; and

(C) the Grant, when approved by GEF, will be provided through, and administered by, ADB upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All provisions of the Externally Funded Grant Regulations of ADB, dated 8 April 2009 ("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. Whenever 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 unless the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings:

(a) "Goods" means equipment and materials to be financed out of the proceeds of the Grant, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance but excluding Consulting Services; and

(b) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## **ARTICLE II**

### **Administration of the Grant**

Section 2.01. Subject to the terms and conditions set forth in this Grant Agreement, ADB agrees to make available to the Recipient an amount of one million eight hundred forty thousand Dollars (\$1,840,000).

Section 2.02. The Recipient acknowledges that the Grant is funded out of resources made available by the International Bank for Reconstruction and Development, acting as the trustee to GEF, to ADB as an implementing entity of GEF. No withdrawals shall be made if, as a result of such withdrawal, the total amount of the Grant withdrawn from the Grant Account would exceed the amount available to ADB from resources provided to it for purposes of the Grant. Only the resources made available to ADB for the purposes of the Grant shall be considered for the enforcement of any obligations, claims or liabilities under or in connection with the 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 and the Loan Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 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, all Goods to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2020 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 5 to 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 accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for the imprest funds and statement of expenditures) 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 30 days of the date of their receipt 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 any relevant records and documents.

## ARTICLE V

### Suspension and Cancellation

Section 5.01. The following are specified 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 Loan Agreement shall have been suspended; or
- (b) GEF shall have directed ADB to suspend commitment and/or withhold disbursement of the Grant or portion thereof for the Project.

**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 Loan Agreement has been duly authorized or ratified by, executed and delivered on behalf of, the Recipient, and is legally binding upon the Recipient 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: the Loan Agreement has been duly authorized or ratified by, executed and delivered on behalf of, the Recipient, and is legally binding upon 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 the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

**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  
23<sup>rd</sup> Singha Road  
P.O. Box 46  
Vientiane  
Lao People's Democratic Republic

## Facsimile Numbers:

(856-21) 412-142

(856-21) 911-611

For ADB

Asian Development Bank  
6 ADB Avenue,  
Mandaluyong City  
1550 Metro Manila, Philippines  
Facsimile Numbers:

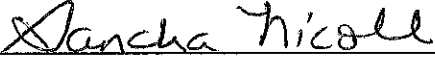
+63 2 636-2444  
+63 2 636-2015.

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By   
\_\_\_\_\_  
H.E. THIPPHAKONE CHANTHAVONGSA  
Vice Minister  
Minister of Finance

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
SANDRA NICOLL  
Country Director  
Lao Resident Mission

**SCHEDULE 1**

**Description of the Project**

1. The description of the Project is provided in Schedule 1 to the Loan Agreement, as such Schedule may be amended from time to time.
2. The specific activities and/or components of the Project that may be financed from the proceeds of the Grant shall specifically include the Works and Goods for the development of non-motorized transport facilities.

**SCHEDULE 2****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"). (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 disbursed on the basis of the withdrawal percentage for each item of expenditure 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.



TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Vientiane Sustainable Urban Transport Project)</b>			
<b>Number</b>	<b>Category</b>	<b>Amount Allocated for GEF Financing (\$)</b>	<b>Basis for Withdrawal from the Grant Account</b>
1	Works	1,380,000	5% of total expenditure claimed*
2	Goods – Non- motorized vehicles	460,000	100% of total expenditure claimed*
	<b>Total</b>	<b>1,840,000</b>	

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