
GRANT NUMBER 0392-SAM

GRANT AGREEMENT
(Special Operations)
(Samoa AgriBusiness Support Project)

between



INDEPENDENT STATE OF SAMOA

and

ASIAN DEVELOPMENT BANK

DATED 19 JUNE 2014

SAM 46436

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 19 June 2014 between the INDEPENDENT STATE OF SAMOA ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(B) the Project shall be carried out by the Ministry of Finance ("MOF") of the Recipient and participating financial institutions ("PFIs") and for this purpose the Recipient shall make available to the MOF and PFIs the proceeds of the grant provided for herein upon terms and conditions satisfactory to ADB; and

(C) 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 Agreements between ADB and the respective PFIs;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("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(16) is deleted and the following is substituted therefor:

"Project Agreement" means each Project Agreement entered or to be entered into between ADB and a PFI.

(b) The term "the 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 "ANZ" or a reference to such other PFI that is a party to a Project Agreement, as applicable.

(c) Sections 9.01(b) and 9.02(b) shall be deleted.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations have the respective meanings therein set forth unless

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modified herein or the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings:

(a) "ANZ" means ANZ Bank (Samoa) Limited, established under the laws and regulations of the Recipient with its registered office at Beach Road, Apia, Samoa and selected as a PFI under the Project;

(b) "Cash Collateral" means the portion of the Grant proceeds to be made available by the Recipient to a PFI under Part 1 of the Project in accordance with Section 3.01 of this Grant Agreement;

(c) "Central Bank of Samoa" or "CBS" means the central bank of the Recipient, or any successor thereto;

(d) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Recipients (2013, as amended from time to time);

(e) "Consulting Services" means the services to be financed out of the proceeds of the Grant as referred to in paragraph 2 of Schedule 1 to this Grant Agreement;

(f) "EMP" means the environmental management plan for a Qualified Subproject, including any update thereto, incorporated in an IEE;

(g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(h) "ESMS" means the environmental and social management system for Part 1 of the Project, including any update thereto, prepared and submitted by each PFI and cleared by ADB;

(i) "GAP" means the gender action plan for the Project prepared in consultation with the Recipient, and approved by ADB;

(j) "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;

(k) "IEE" means an initial environmental examination for a Qualified Subproject, including any update thereto, prepared and submitted by a PFI pursuant to the requirements set forth in the ESMS and cleared by ADB;

(l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(m) "MOF" means the Ministry of Finance of the Recipient, or any successor thereto acceptable to ADB;

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(n) "PAM" means the project administration manual for the Project dated 3 April 2014 and agreed between the Recipient and ADB, as updated from time to time in accordance with the respective administrative procedures of the Recipient and ADB;

(o) "Part" means a part of the Project as described in Schedule 1 to this Grant Agreement;

(p) "PFI" means a financial institution selected by the Recipient to participate in the Project and acceptable to ADB;

(q) "PMU" means the project management unit established by MOF for the purposes of executing the Project;

(r) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);

(s) "Procurement Plan" means the procurement plan for the Project dated 3 April 2014 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(t) "Project Executing Agency", for the purposes of, and within the meaning of, the Grant Regulations means MOF or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(u) "Qualified Enterprise" means an enterprise, which satisfies the eligibility criteria set out in paragraph 5 of Schedule 4 to this Grant Agreement and to which a PFI proposes to make or has made a Subloan A and, if applicable, a Subloan B;

(v) "Qualified Subproject" means a specific subproject, which satisfies the eligibility criteria set out in paragraph 6 of Schedule 4 to this Grant Agreement, to be carried out by a Qualified Enterprise;

(w) "Repayable Supplemental Seed Capital" or "RSSC" means the portion of the Grant proceeds to be lent by the Recipient to a PFI under Part 1 of the Project in accordance with Section 3.01 of this Grant Agreement;

(x) "Safeguards Monitoring Report" means each report prepared and submitted by each PFI to ADB on the PFI's performance with regard to the ESMS, including any corrective and preventative actions;

(y) "SPS" means ADB's Safeguard Policy Statement (2009);

(z) "ST" means Tala, the currency of the Recipient;

(aa) "Subloan A" means each loan made, or proposed to be made, by a PFI out of its own funds to a Qualified Enterprise for a Qualified Subproject, secured by Cash Collateral provided out of the proceeds of the Grant;



(bb) "Subloan Agreement" means a loan agreement entered into between a PFI and a Qualified Enterprise in respect of Subloan A and, if applicable, Subloan B;

(cc) "Subloan B" means each loan made, or proposed to be made, by a PFI out of the proceeds of the Grant as Repayable Supplemental Seed Capital to a Qualified Enterprise for a Qualified Subproject to make the said Qualified Enterprise eligible for Subloan A;

(dd) "Subloan(s)" means each Subloan A and/or Subloan B, as applicable;

(ee) "Subsidiary Financing Agreement" means an agreement between the Recipient and a PFI, satisfactory to ADB, referred to in Section 3.01 of this Grant Agreement;

(ff) "Subsidiary Loan" means a loan made by the Recipient to a PFI under a Subsidiary Financing Agreement; and

(gg) "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

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources an amount of five million Dollars (\$5,000,000).

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Recipient shall cause the proceeds of the Grant described in subsection (b) below to be applied to the financing of Part 1 of the Project in accordance with the provisions of this Grant Agreement and each Project Agreement. Except as ADB may otherwise agree, such proceeds shall be used only for making Subloans to Qualified Enterprises for Qualified Subprojects and shall be applied exclusively to the cost of Goods, Works and Consulting Services and other items of expenditure required to carry out such Qualified Subprojects as set out below.

(b) The Recipient shall relend a portion of the proceeds of the Grant in the amount of three million Dollars (\$3,000,000) equivalent to PFIs comprising (i) approximately two million Dollars (\$2,000,000) equivalent to be used as cash collateral ("Cash Collateral"); and (ii) approximately one million Dollars (\$1,000,000) equivalent to be used as repayable

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supplemental seed capital ("Repayable Supplemental Seed Capital" or "RSSC"), under Subsidiary Financing Agreements to be entered into with each PFI. Each Subsidiary Financing Agreement shall be in form and on terms and conditions acceptable to ADB, and shall be without prejudice to, and without limitation on, the obligations of the Recipient under this Grant Agreement.

(c) The proceeds of the Grant for Part 1 shall be allocated among PFIs as set forth in the Table shown as Attachment to Schedule 2 to this Grant Agreement. If, as at the date 12 months after the Effective Date, one or more PFIs other than ANZ are not selected by the Recipient, the proceeds of the Grant for Part 1 not initially allocated to ANZ shall be allocated to ANZ, and the Recipient and ANZ shall amend the Subsidiary Financing Agreement accordingly.

(d) Except as ADB may otherwise agree, each Subsidiary Financing Agreement with a PFI shall include terms as follows:

- (i) With respect to Cash Collateral, (1) the total amount of the Subsidiary Loan advanced as Cash Collateral for Subloan A to Qualified Enterprises; (2) denomination in ST; (3) conditions for drawing on Cash Collateral in the event of default on a Subloan A by a Qualified Enterprise; and (4) an obligation to return any amount to the extent that such amount is not used as Cash Collateral for Subloan A within the period of time stipulated in the Subsidiary Financing Agreement for reallocation by the Recipient to another PFI, subject to ADB concurrence.
- (ii) With respect to RSSC, (1) the total amount of the Subsidiary Loan allocated as RSSC to be onlent as Subloan B to Qualified Enterprises; (2) denomination in ST; (3) options available to the PFI and the Recipient in the event of a default on a Subloan B by a Qualified Enterprise; and (4) an obligation to return any amount to the extent that such amount is not used to make Subloan B to Qualified Enterprises within the period of time stipulated in the Subsidiary Financing Agreement for reallocation by the Recipient to another PFI, subject to ADB concurrence.
- (iii) Repayment by the PFI to the Recipient of (1) undrawn Cash Collateral in respect of all Subloans A; (2) RSSC onlent as Subloans B; and (3) interest accrued thereon, upon repayment of the last Subloan A and Subloan B by a Qualified Enterprise.

Section 3.02. The Recipient shall apply a portion of the proceeds of the Grant in the amount of two million Dollars (\$2,000,000) exclusively to the financing of expenditures in respect of Part 2 and Part 3 of the Project in accordance with the provisions of this Grant Agreement.

Section 3.03. 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 3.04. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, all Goods, Works and Consulting Services in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.05. Withdrawals from the Grant Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from, and Works and Consulting Services 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) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 January 2022 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Recipient shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices.

(b) In the carrying out of the Project, the Recipient shall perform, or cause to be performed, all the obligations set forth in Schedule 4 to this Grant Agreement.

(c) The Recipient shall cause each PFI to carry out Part 1 of the Project in accordance with the Project 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 financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of procedures for 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. In addition to the reports and information set forth in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Qualified Enterprises, the Qualified Subprojects and Subloans; and (b) the administration, operations and financial condition of each PFI.

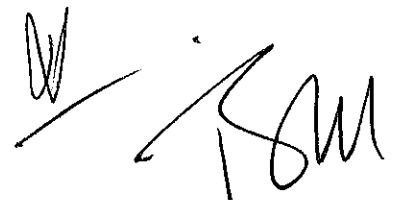
Section 4.04. (a) The Recipient shall exercise its rights under each Subsidiary Financing Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the Grant.

(b) No rights or obligations under each Subsidiary Financing Agreement shall be assigned, amended, abrogated 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 a PFI shall have failed to perform any of their respective obligations under a Subsidiary Financing Agreement.

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ARTICLE VI

Effectiveness

Section 6.01. 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
Private Bag
Central Bank Building, Beach Road
Apia, Samoa

Facsimile Numbers:

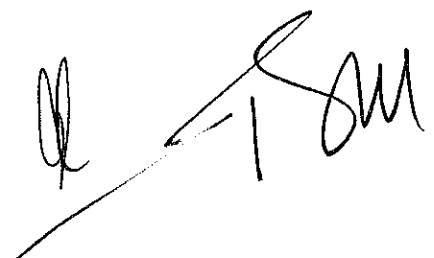
+685 21312
+685 24779.

For ADB

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

Facsimile Numbers:

+63 2 636-2444
+612 8270-9444.

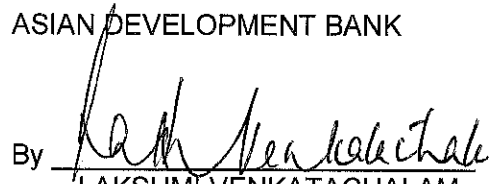
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IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

INDEPENDENT STATE OF SAMOA

By 
TUILAEPA SAILELE MALIELEGAOI
Prime Minister and Minister of Finance

ASIAN DEVELOPMENT BANK

By 
LAKSHMI VENKATACHALAM
Vice President
Private Sector and Cofinancing
Operations

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to achieve sustainable growth of selected commercial agribusinesses.
2. The Project shall comprise:
 - (a) Part 1 – Financing by PFIs of Qualified Subprojects by making Subloans to Qualified Enterprises;
 - (b) Part 2 – The provision of business support services to Qualified Enterprises;
 - (c) Part 3 – The provision of Project implementation support to the PMU, including:
 - (i) assessment and selection of PFIs for Part 1, entering into and monitoring of partnership arrangements between MOF and Qualified Enterprises in respect of Part 2, administration of the agribusiness innovation scheme under Part 2, and any other activities related to implementation and management of Part 1 and Part 2 of the Project;
 - (ii) financial management and audit of Project financial statements; and
 - (iii) Project performance monitoring and evaluation.
3. The Project is expected to be completed by 31 July 2021.



SCHEDULE 2**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 amounts of the Grant 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 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.

Condition for Withdrawals from Grant Account

5. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account for Category 1 (Financing Services) for a Subsidiary Loan to a PFI until:

(a) the Recipient and the relevant PFI have entered into a Subsidiary Financing Agreement on terms and conditions satisfactory to ADB;



(b) ADB has received a satisfactory legal opinion stating that the Subsidiary Financing Agreement has been duly authorized by or ratified by, and executed and delivered on behalf of, the Recipient and the relevant PFI, and is legally binding upon the Recipient and such PFI in accordance with its terms;

(c) the relevant PFI has entered into a Project Agreement with ADB on terms and conditions satisfactory to ADB; and

(d) ADB has received a satisfactory legal opinion stating that the Project Agreement has been duly authorized by or ratified by, and executed and delivered on behalf of the relevant PFI, and is legally binding upon the relevant PFI in accordance with its terms.

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TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Samoa AgriBusiness Support Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Financing Services**	3,000,000		
1A	ANZ		1,200,000	100% of total expenditures claimed
1B	Other PFIs		1,800,000	100% of total expenditures claimed
2	Business Support Services – Consulting Services	518,000		100% of total expenditure claimed
3	Project Management	1,333,000		
3A	PM Consulting Services		1,183,000	100% of total expenditure claimed
3B	Agribusiness Innovation Scheme		150,000	100% of total expenditure claimed
4	Unallocated	149,000		
	Total	5,000,000		

** Subject to the conditions for withdrawal described in paragraph 5 of Schedule 2.

SCHEDULE 3**Procurement of Goods, Works and Consulting Services**General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Procurement and Consulting Services

3. (a) With respect to Part 1 of the Project, the Recipient shall cause each PFI to ensure that each Qualified Enterprise undertakes procurement of Goods, Works, and Consulting Services with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.
 - (b) With respect to Part 2 and Part 3 of the Project,
 - (i) except as ADB may otherwise agree, Goods shall be procured on the basis of Shopping;
 - (ii) the method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan;
 - (iii) the Recipient shall apply Least Cost Selection for selecting and engaging audit services in accordance with, among other things, the procedures set forth in the Procurement Plan; and
 - (iv) the Recipient shall recruit individual consultants in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

4. (a) The Recipient shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether



separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Recipient shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) hereinabove.

5. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

6. Contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

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SCHEDULE 4**Execution of Project; Financial Matters**Implementation Arrangements

1. The Recipient, the Project Executing Agency and each PFI shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.
2. The Project Executing Agency shall have overall responsibility for Project execution, implementation of Part 2 and Part 3 of the Project, and for coordination with PFIs for Part 1 of the Project. The Recipient shall cause the Project Executing Agency to establish and maintain (a) a PMU in accordance with the terms of reference set forth in the PAM; and (b) a Project advisory committee composed of members from relevant line ministries and private sector representatives to support the PMU.
3. The PFIs shall each be an implementing agency for Part 1 of the Project.

PFI Eligibility Criteria

4. The Recipient shall seek ADB's prior concurrence in the selection of a PFI. Except as ADB may otherwise agree, the Recipient shall ensure that each PFI has:
 - (a) corporate, financial, management and governance policies and practices, including credit and risk management policies, acceptable to ADB and the Project Executing Agency;
 - (b) satisfied ADB's integrity, anti-money laundering and combating the financing of terrorism due diligence requirements;
 - (c) complied with all capital adequacy and other prudential requirements mandated by laws of the Recipient;
 - (d) an ESMS and trained personnel to identify, remedy and monitor compliance with the laws of the Recipient and the SPS;
 - (e) adequate management and staff resources as well as expertise for the management of funds made available under the Project; and
 - (f) an acceptable record of corporate lending.

Qualified Enterprise

5. The Recipient shall cause each PFI to ensure that each Qualified Enterprise:



- (a) is an enterprise in the agriculture or agribusiness sectors, eligible to carry out business in the territory of the Recipient;
- (b) meets all relevant conditions and requirements stipulated in the Recipient's Foreign Investment Act, 2000, as amended;
- (c) meets appropriate credit and other risk-related criteria as determined and applied by the PFI, taking into account the prospective provision of Subloan B; and
- (d) agrees to use Subloan A and Subloan B only for the financing of a Qualified Subproject under a Subloan Agreement.

Qualified Subproject

6. The Recipient shall cause each PFI to ensure that each Qualified Subproject for which the PFI provides a Subloan A and Subloan B to a Qualified Enterprise meets the following eligibility criteria:

- (a) it is found to be commercially viable based on due diligence conducted by the PFI in accordance with its policies and procedures;
- (b) it is not classified as Category A in terms of environmental impacts within the meaning of the SPS;
- (c) it involves no involuntary resettlement or indigenous peoples impacts within the meaning of the SPS;
- (d) it shall adhere to the safeguard requirements set forth in paragraphs 14 to 20 of this Schedule;
- (e) at least 25% of the Qualified Subproject costs shall be met by a cash or in-kind contribution from the Qualified Enterprise;
- (f) it contributes to the diversification and/or expansion of agribusinesses; and
- (g) makes a beneficial contribution to the agriculture sector, economy or employment.

Subloan A

7. Except as ADB may otherwise agree, the Recipient shall cause each PFI to ensure that each Subloan A under a Subloan Agreement:

- (a) is denominated and withdrawn in ST and disbursed to a Qualified Enterprise in accordance with the procedures specified in the PAM;

- (b) carries interest at an appropriate rate that takes into account the Cash Collateral obtained, cost of funds, administrative costs, and credit and other applicable risks associated with Subloan A;
- (c) does not exceed a maximum amount of \$750,000;
- (d) has a repayment period not exceeding 7 years; and
- (e) comprises (i) no more than 50% secured by Cash Collateral for a first-time loan to a Qualified Enterprise for a Qualified Subproject; and (ii) no more than 30% secured by Cash Collateral for subsequent loans to the same Qualified Enterprise.

Subloan B

8. Except as ADB may otherwise agree, the Recipient shall cause each PFI to ensure that each Subloan B under a Subloan Agreement:

- (a) is denominated and withdrawn in ST and disbursed to a Qualified Enterprise in accordance with the procedures specified in the PAM;
- (b) does not exceed a maximum amount of \$100,000 or 25% of the total Qualified Subproject cost, whichever is lesser;
- (c) is approved in conjunction with Subloan A to a Qualified Enterprise following a determination by the PFI that granting Subloan B would then render the Qualified Enterprise eligible for Subloan A;
- (d) has a bullet repayment period not exceeding 7 years; and
- (e) is subject to the options and remedies available to the PFI to pursue payment upon default as may be set out in the Subsidiary Financing Agreement.

Subloan Monitoring

9. The Recipient shall ensure that each PFI submits the first Subloan A and the first Subloan B for ADB's review and approval prior to entering into the relevant Subloan Agreement.

10. In the event that any eligibility criteria for a Qualified Enterprise, Qualified Subproject, Subloan A or Subloan B as set forth in this Grant Agreement or Project Agreement is not complied with, whether at the time of approval of Subloan A and Subloan B or thereafter, ADB reserves the right to call on the Recipient to seek repayment by the PFI of the amounts used for such Subloans.

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Counterpart Support

11. The Recipient shall provide, through budgetary allocations or other means, all counterpart funds, facilities, staff and other support required for timely and effective implementation of Part 2 and Part 3.

Recycling of Grant Proceeds

12. During Project implementation, upon repayment of Subloan A and Subloan B by a Qualified Enterprise, the Recipient shall cause the relevant PFI to make (a) another Subloan A to the same Qualified Enterprise for a Qualified Subproject or (b) a Subloan A and Subloan B (if applicable) to another Qualified Enterprise for a Qualified Subproject, on terms and conditions set forth in paragraphs 7 and 8 above.

13. Upon completion of the Project and thereafter, the Recipient shall ensure that all funds repaid to the Recipient by a PFI under the relevant Subsidiary Financing Agreement are recycled for other activities in the agriculture or agribusiness sectors, which may include further lending to financial intermediaries. For further lending to a PFI, the relevant Subsidiary Financing Agreement shall be extended or amended accordingly. For other financial intermediaries, they shall:

- (a) be selected in a manner consistent with the selection of PFIs under the Project; and
- (b) enter into a subsidiary financing agreement with the Recipient for making subloans to qualified enterprises for subprojects, in each case similar in terms and nature to Subloan A and/or Subloan B, Qualified Enterprises and Qualified Subprojects under the Project.

Screening, Categorization, and Environmental and Social Assessment and Planning

14. The Recipient shall ensure, or cause each PFI to ensure, that before any Qualified Subproject is approved for financing:

- (a) the ESMS is used to screen and categorize the Qualified Subproject for the significance of potential environmental, indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject, and ensure that no Qualified Subproject shall be categorized (i) as Category A for environmental impact within the meaning of the SPS, or (ii) as Category A or B for involuntary resettlement or indigenous peoples impacts within the meaning of the SPS and ADB's operational procedures;
- (b) an IEE and EMP, are prepared for each such Qualified Subproject as required pursuant to the ESMS; and
- (c) the IEE and EMP are cleared by ADB if such Qualified Subproject is Category B for environment impact within the meaning of the SPS.

Environment

15. The Recipient shall ensure, or cause each PFI to ensure, that the preparation, design, construction, implementation, operation and decommissioning of each Qualified Subproject comply with (a) all applicable laws and regulations of the Recipient relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the ESMS; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

16. The Recipient shall ensure, or cause each PFI to ensure, that no land acquisition or resettlement impact within the meaning of the SPS is permitted for any Qualified Subproject. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Recipient shall cause the relevant PFI to ensure that it complies with (a) all applicable laws and regulations of the Recipient relating to land acquisition and involuntary resettlement; (b) the SPS; (c) the ESMS; and (d) any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Indigenous Peoples

17. The Recipient shall ensure, or cause each PFI to ensure, that no indigenous peoples impact within the meaning of the SPS is permitted for any Qualified Subproject. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Recipient shall cause the relevant PFI to ensure that it complies with (a) all applicable laws and regulations of the Recipient relating to indigenous peoples; (b) the SPS; (c) the ESMS; and (d) any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

18. The Recipient shall ensure, or cause each PFI to ensure, that necessary budgetary and human resources are made available to fully implement the ESMS.

Safeguards Monitoring and Reporting

19. The Recipient shall do the following or cause each PFI to do the following:
- (a) submit annual reports regarding the PFI's implementation of the ESMS to the Recipient, which shall be submitted to ADB on a timely basis;
 - (b) if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation promptly inform the Recipient and ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
 - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS promptly after becoming aware of the breach.



Prohibited List of Investments

20. The Recipient shall ensure, or cause each PFI to ensure, that no proceeds of the Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

21. The Recipient shall cause each PFI to ensure that core labor standards and applicable laws and regulations of the Recipient, including workplace occupational safety requirements, equal pay to male and female employees for work of equal value, and laws against child, forced, or compulsory labor, are complied with during implementation of Qualified Subprojects.

Health

22. The Recipient shall ensure, or cause each PFI to ensure, that information on the risks of sexually transmitted diseases, including HIV/AIDS, are disseminated to the employees of civil works contractors engaged under Part 1 of the Project and to members of the local communities surrounding the Project.

Gender and Development

23. The Recipient shall ensure that the GAP is adopted and implemented in a timely manner, and that adequate resources are allocated for this purpose. The Recipient shall conduct training on GAP implementation for all staff involved in the Project. The Recipient shall ensure that the implementation of the GAP shall be closely monitored, and the progress shall be reported to ADB.

Governance and Anticorruption

24. The Recipient and each PFI shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

25. The Recipient and each PFI shall ensure that all bidding documents and contracts in relation to the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

26. The Recipient shall ensure that each PFI:

- (a) complies with applicable laws and regulations of the Recipient on combating money laundering and financing of terrorism and that Grant proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;



- (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly informs the Recipient and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs a PFI of its concern that there has been such an alleged violation, such PFI shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.

A handwritten signature in black ink, appearing to be 'Sam', located in the bottom right corner of the page.