
GRANT NUMBER 0600-PNG(EF)
(Additional Financing to Grant 0447-PNG[EF])

GRANT AGREEMENT
(Externally Financed – Strategic Climate Fund)
(Building Resilience to Climate Change in Papua New Guinea – Additional Financing)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

ASIAN DEVELOPMENT BANK

DATED 19 September 2018

PNG 46495

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 19 September 2018 between
INDEPENDENT STATE OF PAPUA NEW GUINEA ("Recipient") and ASIAN DEVELOPMENT
BANK ("ADB").

WHEREAS

(A) by a grant agreement dated 15 January 2016 between the Recipient and ADB ("Original SCF Grant Agreement"), ADB agreed to provide a grant to the Recipient from the Strategic Climate Fund ("SCF") in the amount of twenty-four million two hundred fifty thousand Dollars (\$24,250,000) ("Original SCF Grant") for the purposes of the Project described in Schedule 1 to the Original SCF Grant Agreement ("Original Project");

(B) by a project agreement dated 15 January 2016 between the Climate Change and Development Authority ("CCDA") and ADB ("Original Project Agreement"), CCDA agreed to undertake certain obligations towards ADB as set forth in the Original Project Agreement;

(C) by a grant agreement of even date herewith between the Recipient and ADB ("DFAT Grant Agreement"), ADB has agreed to provide a grant to the Recipient from the Government of Australia through its Department of Foreign Affairs and Trade ("DFAT") in the amount of two million nine hundred seventy-five thousand one Dollars (\$2,975,001) ("DFAT Grant") for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(D) the Recipient has, through ADB, applied to SCF for an additional grant, to be administered by ADB, for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(E) ADB, acting in its capacity as an implementing entity of the SCF in accordance with the Financial Procedures Agreement date 18 March 2010 between the International Bank for Reconstruction and Development ("IBRD") and ADB ("Financial Procedures Agreement"), has agreed to administer the grant to the Recipient from the SCF upon terms and conditions set forth herein;

(F) the Project will be carried out by CCDA, and for this purpose the Recipient will make available to CCDA the proceeds of the additional grant provided for herein upon terms and conditions satisfactory to ADB; and

(G) ADB has agreed to make the proceeds of the additional grant from SCF available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement to be entered into among ADB, CCDA and the Milne Bay Provincial Government ("MBPG");

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 Original SCF Grant 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 and the DFAT 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 and DFAT Grant, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (c) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (d) "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;
- (e) "PAM" means the project administration manual for the Project dated 30 July 2018 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;
- (f) "Procurement Plan" means the procurement plan for the Project dated 30 July 2018 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (g) "Procurement Policy" means ADB's Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (h) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (i) "Project Implementation Unit" means the project implementation unit for the Project established in MBPG;

- (j) "SEMP" means each site-specific construction environmental management plan, prepared and submitted by Works contractors and cleared by the Project Implementation Unit;
- (k) "Services" means Consulting Services and Nonconsulting Services;
- (l) "Subsidiary Grant Agreement" means the agreement between the Recipient and CCDA referred to in Section 3.01 of this Grant Agreement and the DFAT Grant Agreement; and
- (m) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Grant and the DFAT Grant, including any related Nonconsulting Services and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from SCF in the amount of five million Dollars (\$5,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall make the proceeds of the Grant available to CCDA under a Subsidiary Grant Agreement upon terms and conditions satisfactory to ADB.

(b) 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 Project 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, 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 3 to this Grant Agreement.

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

- (a) Goods which are produced in and supplied from and Works and 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 Services 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 30 April 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. 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 this Grant 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 Goods, Works and Services, and any relevant records and documents.

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable CCDA and MBPG 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 Grant 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 Grant Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

Section 4.06. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for SCF in respect of funds made available by IBRD, acting as trustee to the SCF. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from SCF and such proceeds has not been suspended or cancelled in whole or in part by SCF pursuant to the Financial Procedures Agreement, and (b) that ADB does not assume any obligations or responsibilities of SCF in respect of the Project or the Grant other than those set out in this Grant Agreement.

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 Regulations: the DFAT Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, shall have become legally binding upon the Recipient in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the 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 DFAT Grant 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

Miscellaneous

Section 6.01. The Secretary of the Recipient's Department of Treasury is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Secretary, Department of Treasury
The Treasury, Waigani Drive
P.O. Box 542
Waigani 131, National Capital District
Papua New Guinea

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2446.

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.

INDEPENDENT STATE OF PAPUA NEW
GUINEA

By 

CHARLES ABEL
Deputy Prime Minister and
Minister of Treasury

ASIAN DEVELOPMENT BANK

By 

DAVID J. HILL
Country Director
Papua New Guinea Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve the capacities of government agencies, communities and civil society to plan and respond to the impacts of climate change.
2. The Project shall comprise the climate proofing of the existing Alotau provincial wharf which will serve as a pilot and demonstration climate adaptation model for climate proofing structures elsewhere in the territory of the Recipient.
3. The Project includes the provision of Consulting Services to support the activities described in paragraph 2 of this Schedule.
4. The Project is expected to be completed by 31 October 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 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.

Disbursement Procedures

3. 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

4. Notwithstanding any other provision of this Grant Agreement, no withdrawal shall be made from the Grant Account until the Subsidiary Grant Agreement, in form and substance satisfactory to ADB, has been duly executed and delivered on behalf of the Recipient and CCDA and has become fully effective and legally binding upon the Recipient and CCDA in accordance with its terms.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for SCF Financing (\$)	Basis for Withdrawal from the Grant Account
		Category	
1	Works and Services*	5,000,000	63% of total expenditure claimed
	TOTAL	5,000,000	

*Subject to the disbursement condition set forth in paragraph 4 of Schedule 2.

SCHEDULE 3

Execution of Project

Implementation Arrangements

1. The Recipient shall ensure or cause CCDA and MBPG to 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 Recipient shall, and shall ensure that CCDA and MBPG, comply with the obligations under paragraphs 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of Schedule 4 to the Original SCF Grant Agreement which are incorporated herein by reference and form integral part of this Grant Agreement; provided, however, that references to "Project" in such paragraphs shall be construed as references to the Project as described in Schedule 1 to this Grant Agreement.

Procurement

3. The Recipient shall ensure or cause CCDA and MBPG to ensure that:
 - (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Recipient may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
 - (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Conditions of Award of Contract

4. The Recipient shall ensure that CCDA and MBPG do not award any Works or Nonconsulting Services contracts until:

- (a) the Recipient's Conservation and Environmental Protection Authority has issued all requisite environmental and other permits; and
- (b) the relevant provisions from the EMP and any conditions prescribed by the Recipient's Conservation and Environmental Protection Authority have been incorporated in the Works or Nonconsulting Services contracts.

Construction Environmental Management Plan

5. The Recipient shall ensure or cause MBPG to ensure that the (a) Project Implementation Unit has delivered induction training, if required, to the Works contractors on preparation of the SEMP; (b) Works contractors have submitted the relevant SEMP to MBPG; and (c) Project Implementation Unit has reviewed and cleared the relevant SEMP prior to the commencement of any associated Works.