

---

GRANT NUMBER 0588-TON (EF)  
(Additional to Grant 0347-TON[SF] and Grant 0348-TON[EF])

GRANT AGREEMENT  
(Externally Financed – the Government of Australia)  
(Outer Island Renewable Energy Project – Additional Financing)

between

KINGDOM OF TONGA

and

ASIAN DEVELOPMENT BANK

DATED 8 AUGUST 2018

---

TON 49450

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 8 August 2018 between KINGDOM OF TONGA  
("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

*Original Project*

(A) by a grant agreement dated 2 December 2013 between the Recipient and ADB ("Original Grant Agreement"), ADB agreed to make a grant to the Recipient from ADB's Special Funds resources in an amount of two million Dollars (\$2,000,000) for the purposes of the project described in Schedule 1 to the Original Grant Agreement ("Original Project");

(B) by a grant agreement dated 2 December 2013 between the Recipient and ADB ("Original Externally Financed Grant Agreement"), ADB agreed to make the proceeds of a grant from the Government of Australia available to the Recipient in an amount of four million five hundred thousand Dollars (\$4,500,000) for the purposes of cofinancing expenditures under the Original Project;

(C) by a project agreement dated 2 December 2013 between Tonga Power Limited ("TPL") and ADB ("Original Project Agreement"), TPL undertook certain obligations towards ADB in connection with the Original Project;

*First Additional Project*

(D) by a grant agreement dated 30 October 2015 between the Recipient and ADB ("First Additional Grant Agreement"), ADB agreed to make an additional grant to the Recipient from ADB's Special Funds resources in an amount of one million four hundred forty thousand Dollars (\$1,440,000) for the purposes of the project described in Schedule 1 to the First Additional Grant Agreement ("First Additional Project");

(E) by a grant agreement dated 30 October 2015 between the Recipient and ADB ("First Additional EU Grant Agreement"), ADB agreed to make the proceeds of a grant from the European Union available to the Recipient in an amount of three million five hundred seventy thousand Dollars (\$3,570,000) for the purposes of cofinancing expenditures under the First Additional Project;

(F) by a grant agreement dated 30 October 2015 between the Recipient and ADB ("First Additional SDCF Grant Agreement"), ADB agreed to make the proceeds of a grant from the Second Danish Cooperation Fund for Renewable Energy and Energy Efficiency for Rural Areas available to the Recipient in an amount of seven hundred fifty thousand Dollars (\$750,000) for the purposes of cofinancing expenditures under the First Additional Project;

(G) by a project agreement dated 30 October 2015 between TPL and ADB ("First Additional Project Agreement"), TPL undertook certain obligations towards ADB in connection with the First Additional Project;

*Second Additional Project*

(H) by a financing agreement dated 31 January 2017 between the Recipient and ADB ("Second Additional Financing Agreement"), ADB agreed to provide financing by making a loan in various currencies equivalent to one million eight hundred nine thousand Special Drawing Rights (SDR1,809,000) and a grant in the amount of two million five hundred thousand Dollars (\$2,500,000) to the Recipient from ADB's Special Funds resources, for the purposes of the Project described in Schedule 1 to the Second Additional Financing Agreement ("Second Additional Project");

(I) by a project agreement dated 31 January 2017 between TPL and ADB ("Second Additional Project Agreement"), TPL undertook certain obligations towards ADB in connection with the Second Additional Project;

*The Project*

(J) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to the Special Operations Grant Agreement (as defined below);

(K) by a grant agreement of even date herewith entered between ADB and the Recipient ("Special Operations Grant Agreement"), ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources for an amount of five million five hundred thousand Dollars (\$5,500,000) for the purposes of the Project;

(L) the Recipient has applied to the Global Environment Facility ("GEF") for a grant in an amount not exceeding two million six hundred thirty-nine thousand and two hundred sixty-nine Dollars (\$2,639,269) ("GEF Grant") to be administered by ADB for the purposes of cofinancing expenditures under the Project;

(M) by a grant agreement of even date herewith entered between the Recipient and ADB ("Third Additional GEF Grant Agreement"), ADB agreed to make the proceeds of the GEF Grant available to the Recipient for the purposes of cofinancing expenditures under the Project;

(N) the Recipient has applied to the Government of Australia, represented by the Department of Foreign Affairs and Trade ("DFAT"), for a grant, to be administered by ADB, for the purposes of cofinancing expenditures under the Project;

(O) by a cofinancing agreement dated 7 June 2017 between ADB and DFAT ("Cofinancing Agreement"), DFAT has agreed to provide, and ADB has agreed to administer, the grant provided for herein upon the terms and conditions set out in the Cofinancing Agreement;

(P) the Project will be carried out by Recipient's Ministry of Finance and National Planning ("MFNP") through the Ministry of Energy, Information, Disaster Management, Climate Change, and Communications ("MEIDECC") and TPL; and

(Q) ADB has agreed to make the proceeds of the grant from DFAT available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and TPL;

NOW THEREFORE the parties agree as follows:

## **ARTICLE I**

### **Grant Regulations; Definitions**

Section 1.01. All 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, subject, however, to the following modifications:

- (a) Section 2.01(m) is deleted and the following is substituted therefor:

"Project Agreement" means the project agreement of even date herewith between ADB and TPL, as such agreement may be amended from time to time; and such project agreement includes all schedules to the Project Agreement;

- (b) The term "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 "TPL".

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations and the Special Operations Grant Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires:

## **ARTICLE II**

### **The Grant**

Section 2.01. (a) ADB agrees to make available to the Recipient a grant from DFAT in the amount of seven hundred forty thousand Dollars (\$740,000), as such amount may be adjusted from time to time in accordance with subsection (b) hereinafter.

(b) The amount of the Grant shall be adjusted from time to time to account for currency fluctuations, such that the amount of the Grant, denominated in Dollars, shall be equivalent to one million Australian dollars (A\$1,000,000) at the time that ADB converted the resources made available to ADB by DFAT for the purposes of the Grant.

### **ARTICLE III**

#### **Use of Proceeds of the Grant**

Section 3.01. (a) The Recipient shall cause the proceeds of the Grant to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

(b) The Recipient agrees that the proceeds of the Grant may be used to pay ADB's administration fees and other charges pursuant to the Cofinancing Agreement. ADB shall be entitled to withdraw from the Grant Account and pay to itself, on behalf of the Recipient, the amounts required to meet payments, when due, of such administration fees and other charges.

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 Schedule 3 to the Special Operations Grant Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2021 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 Special Operations Grant Agreement and the Project Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. 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 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for DFAT. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from DFAT and such proceeds has not been suspended or cancelled in whole or in part by DFAT pursuant to the Cofinancing

Agreement, and (ii) that ADB does not assume any obligations or responsibilities of DFAT in respect of the Project or the Grant other than those set out in this Grant Agreement.

## **ARTICLE V**

### **Suspension**

Section 5.01. The following are specified as 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 Recipient shall have failed to perform one or more of its obligations under the Original Grant Agreement, the Original Externally Financed Grant Agreement, the First Additional Grant Agreement, the First Additional EU Grant Agreement, the First Additional SDCF Grant Agreement, the Second Additional Financing Agreement, the Special Operations Grant Agreement, or the Third Additional GEF Grant Agreement; and
- (b) TPL shall have failed to perform one or more of its obligations under the Original Project Agreement, the First Additional Project Agreement or the Second Additional Project Agreement.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

- (a) the Special Operations Grant 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; and
- (b) the Third Additional GEF Grant 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 6.02. 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. The Grant Agreement and all obligations of the parties thereunder shall terminate on the date on which the Special Operations Grant Agreement terminates.

## **ARTICLE VIII**

### **Miscellaneous**

Section 8.01. The Minister of Finance and National Planning of the Recipient 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 and National Planning  
Vuna Road  
Nuku'alofa  
Kingdom of Tonga

Facsimile Number:

(676) 24040

#### 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.

KINGDOM OF TONGA

By   
SYURKANI ISHAK KASIM  
Authorized Representative

ASIAN DEVELOPMENT BANK

By   
MA. CARMELA D. LOCSIN  
Director General  
Pacific Department



## **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, 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 DFAT Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Project Management Consultants	700,000	100% of total expenditure claimed*
2	Unallocated**	40,000	
	<b>TOTAL</b>	<b>740,000</b>	

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

\*\* This amount also serves as a reserve for (i) currency fluctuations; and (ii) payment of ADB's administration fees and bank charges or other charges pursuant to the Cofinancing Agreement.