
GRANT NUMBER 0398-NEP (EF)

GRANT AGREEMENT
(Externally Financed – Strategic Climate Fund)

(South Asia Subregional Economic Cooperation Power System Expansion Project)

between

NEPAL

and

ASIAN DEVELOPMENT BANK

DATED 11 JULY 2014

NEP 44219

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 11 July 2014 between NEPAL ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Recipient and ADB ("Special Operations Loan Agreement"), ADB has agreed to lend to the Recipient from ADB's Special Funds resources an amount in various currencies equivalent to one hundred sixteen million four hundred ninety three thousand Special Drawing Rights (SDR116,493,000) for the purposes of the Project described in Schedule 1 to the Special Operations Loan Agreement;

(B) the Recipient has applied to the Strategic Climate Fund ("SCF") for a grant ("Grant"), to be administered by ADB, for the purposes of cofinancing expenditures under the Project;

(C) the Recipient has also applied to the Government of Norway for a grant, to be administered by ADB ("Norway Grant"), for the purposes of cofinancing expenditures under the Project;

(D) by an agreement dated _____ between the Recipient and ADB ("Norway Grant Agreement"), ADB has agreed to make the proceeds of the Norway Grant available to the Recipient in the amount of sixty million Dollars (\$60,000,000) for the purposes of financing a portion of Parts 1 and 4 of the Project;

(E) the Project shall be carried out by (i) the Nepal Electricity Authority ("NEA") for Parts 1, 2 and 4 of the Project, and (ii) the Alternative Energy Promotion Centre ("AEPC") for Parts 3 and 4 of the Project;

(F) the Recipient shall make available to AEPC the proceeds of the Grant for the purposes of the Project in the manner provided for herein, upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed 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, subject, however, to the following modifications:

- (a) The term "Project", wherever it appears in the Grant Regulations, shall mean Parts 3 and 4 of the Project as described in Schedule 1 to the Special Operations Loan Agreement; and
- (b) The term "Project Agreement", wherever it appears in the Grant Regulations, shall mean the AEPC Project Agreement.

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

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from the SCF in the amount of eleven million two hundred thousand Dollars (\$11,200,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall:

- (a) make the proceeds of the Grant available to AEPC as a grant under the AEPC Financing Arrangement upon terms and conditions satisfactory to ADB; and
- (b) cause AEPC to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and AEPC Project Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 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 Special Operations Loan Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 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 5 to the Special Operations Loan 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 30 days of the date of their receipt by posting them on ADB's website.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, 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 an implementing entity of the SCF in respect of funds made available by IBRD, acting as trustee to the said Fund. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from the SCF, and (ii) that ADB does not assume any obligations or responsibilities of the SCF 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: the Recipient shall have failed to perform any of its obligations under the Special Operations Loan Agreement.

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 Special Operations Loan Agreement shall have been duly executed and delivered.

Section 6.02. The following are 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 Special Operations Loan Agreement has been duly authorized by, and 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 this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Secretary, Ministry 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

Secretary
Ministry of Finance
Singha Durbar
Kathmandu, Nepal

Facsimile Number:

+977 1 421-1665.

For ADB


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

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2338.

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

NEPAL

By 

YUBA RAJ BHUSAL
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

KENICHI YOKOYAMA
Country Director
Nepal Resident Mission

SCHEDULE 1

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 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 until the AEPC Financing Arrangement, upon terms and conditions satisfactory to ADB, shall have been duly agreed on by the Recipient and the AEPC.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (South Asia Subregional Economic Cooperation Power System Expansion Project)			
Number	Item	Total Amount Allocated for SCF Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Turnkey Contract – Mini-Micro Hydro (AEPC)**	\$7,000,000	100% of total expenditure claimed
2	Turnkey Contract – Mini-Grid Solar/Wind (AEPC)**	\$3,000,000	100% of total expenditure claimed*
3	Consulting Services**	\$1,200,000	100% of total expenditure claimed*
	Total	\$11,200,000	

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

**Subject to the condition for withdrawal as described in paragraph 5 of Schedule 1.