July 17, 2014

Mr. Ian De La Rosa
Country Representative
Catholic Relief Services-United States Conference of Catholic Bishops
Rua Dom Aleixo Corte Real
Mandarin, Dili
Republic of Timor Leste

Dear Mr. De La Rosa,

Democratic Republic of Timor-Leste: Japan Social Development Fund Grant for the Community Driven Nutrition Improvement Project
Grant No. TF017708

In response to the request for financial assistance made on behalf of Catholic Relief Services – United States Conference of Catholic Bishops ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), as administrator of grant funds provided by Japan ("Donor") under the Japan Social Development Fund, proposes to extend to the Recipient, for the benefit of the Democratic Republic of Timor-Leste ("Member Country"), a grant in an amount not to exceed two million eight hundred fifty thousand United States Dollars (USD 2,850,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World
Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Franz Drees-Gross
Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands
East Asia and Pacific Region

AGREED:
CATHOLIC RELIEF SERVICES – USCCB

By:

[Signature]
Authorized Representative

Name: Torry Peau
Title: Acting Country Representative
Date: August 12, 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following terms shall have the following meanings:

(a) "Environmental Code of Practice" means the document prepared and adopted by the Recipient, dated February 28, 2014, defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities, as such document may be amended by the Recipient from time to time, with the prior written agreement of the World Bank.

(b) "Operational Manual" means a manual prepared and to be adopted by the Recipient, found satisfactory to the World Bank, which shall contain (i) the procedures for procurement of goods, works, consultants’ services, and Operating Costs, as well as for financial management and audits under the Project; (ii) the indicators to be used in the monitoring and evaluation of the Project; (iii) flow and disbursement arrangements of Project funds; and (iv) the Procurement Plan.

(c) "Operating Costs" means operating costs reasonably required for the Project including consumable materials and supplies, communications, mass media and printing services, recruitment fees, facility rental and utilities, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, salaries of locally contracted staff of the Recipient, but excluding salaries of officials of the Member Country’s civil service.

(d) "Training and Workshops" means training courses and workshops required for the Project conducted in the territory of the Member Country, as approved by the World Bank, including reasonable course or conference fees, travel and accommodation costs, per diems, rental of training and workshop facilities, preparation and production of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve nutrition practices targeted to children under the age of two and pregnant and lactating women in targeted least developed communities in the Member Country’s territory. The Project consists of the following parts:

**Part 1: Community Mobilization, Awareness Raising, and Participatory Planning**

Carrying out a program of activities designed to increase the community’s understanding and participation in identifying and addressing malnutrition, such program to include: (a) meetings to raise awareness of the Project; (b) community-led selection of volunteers to help educate the community about nutrition; (c) mapping of households with pregnant or lactating women and children under the age of two; (d) appraisals to identify barriers to healthy eating and ways to overcome those barriers, and meetings to publicize the results of such appraisals; community-led development of a plan to implement nutrition interventions.

**Part 2: Community Led Delivery of Nutrition Specific Interventions**

Carrying out a program of activities designed to improve community led delivery of nutrition interventions, such program to include (a) creation of training materials; (b) provision of training on nutrition and hygiene counselling; (c) provision of individualized and small group nutrition and hygiene counseling.

**Part 3: Community Led Delivery of Nutrition Sensitive Interventions**

Carrying out a program of activities designed to improve community access to selected nutrition-sensitive activities that address the underlying causes of malnutrition and improve nutritional outcomes, such program to include: (a) implementation of the plan developed under Part 1, which will involve (i) increased production of nutritious staple and minor crops, (ii) homestead gardens, or (iii) homestead fish production; and (b) training of community groups on farming or aquaculture.

**Part 4: Monitoring, Evaluation, and Project Management**

Carrying out a program of activities designed to support the Recipient in the management, implementation, coordination, and monitoring and evaluation of the Project; such program to include:

(a) facilitation of the implementation of nutrition specific and sensitive interventions by target communities, improving coordination among stakeholders and other actors through communication flow map, and strengthening of monitoring and evaluation activities at the community level; and

(b) provision of technical assistance and operating costs to the Recipient for implementation, coordination, supervision and management of the Project, including preparation of Project reports.
2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants," dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); (c) this Article II; and (d) the Operational Manual.

2.03. **Institutional and Other Arrangements.**

   (a) The Recipient shall, not later than three (3) months after the Effective Date, prepare a Project Operational Manual for the Project, which shall include a detailed description of the activities to be carried out under the Project, in form and substance satisfactory to the World Bank.

   (b) The Recipient shall ensure that the Project is carried out in accordance with the Environmental Code of Practice.

   (c) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

   (d) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.04. **Donor Visibility and Visit.**

   (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

   (b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Member Country’s territory for purposes related to the Project.

2.05. **Financial Management.**

   (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

   (b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five days after the end of each semester, covering the semester, in form and substance satisfactory to the World Bank.
(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods, non-consulting services, and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 revised July 2014 (“Procurement Guidelines”), in the case of goods and non-consulting services; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 revised July 2014 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; (E) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Non-consulting services, Consultants’ services, Training and Workshops for Part 1 of the Project</td>
<td>602,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Non-consulting services, Consultants’ services, Training and Workshops for Part 2 of the Project</td>
<td>786,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Non-consulting services, Consultants’ services, Training and Workshops for Part 3 of the Project</td>
<td>1,018,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) (a) Consultants’ services and Training for Part 4(a) of the Project.</td>
<td>148,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Consultants’ services and Operating Costs for Part (4b) of the Project.</td>
<td>296,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,850,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is August 31, 2017.
Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Timor-Leste Country Representative.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Catholic Relief Services-USCCB
Rua Dom Aleixo Corte Real
Mandarin, Dili
Republic of Timor-Leste

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
Standard Conditions

for Grants Made by the

World Bank

Out of

Various Funds

Dated July 20, 2006
ARTICLE I
Introductory Provisions

Section 1.01. Application of Standard Conditions. These Standard Conditions set forth certain terms and conditions generally applicable to grants made by IBRD or IDA out of various funds (other than IDA resources). They apply to the extent specified in the Grant Agreement.

Section 1.02. Inconsistency with Grant Agreement. If any provision of the Grant Agreement is inconsistent with a provision of these Standard Conditions, the provision of the Grant Agreement shall govern.

Section 1.03. Definitions. Except as otherwise provided in the Grant Agreement, wherever capitalized terms are used in these Standard Conditions or in the Grant Agreement, they have the meanings ascribed to them in these Standard Conditions.

Section 1.04. References; Headings. References in these Standard Conditions to Articles and Sections are to the Articles and Sections of these Standard Conditions. Their headings are inserted in these Standard Conditions for reference only and shall not be taken into consideration in interpreting these Standard Conditions.

ARTICLE II
Project Execution

Section 2.01. Project Execution Generally. The Recipient shall ensure that:

(a) the Project is carried out: (i) with due diligence and efficiency; (ii) in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices; and (iii) in accordance with the provisions of the Grant Agreement, including these Standard Conditions; and

(b) the funds, facilities, services and other resources required for the Project are provided promptly as needed.

Section 2.02. Insurance. The Recipient shall ensure that adequate provision is made for the insurance of any goods required for the Project and to be financed out of the proceeds of the Grant, against hazards incident to the acquisition, transportation and delivery of the goods to the place of their use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

Section 2.03. Land Acquisition. The Recipient shall ensure that all action is taken to acquire as and when needed all land and rights to land that are required to carry out the Project and shall promptly furnish to the World Bank, upon its request, evidence satisfactory to the World Bank that such land and rights are available for the Project.
Section 2.04. Use of Goods, Works and Services; Maintenance of Facilities. The Recipient shall ensure that:

(a) except as the World Bank shall otherwise agree, all goods, works and services financed out of the proceeds of the Grant are used exclusively for the purposes of the Project; and

(b) all facilities relevant to the Project are at all times properly operated and maintained and all necessary repairs and renewals of such facilities are made promptly as needed.

Section 2.05. Documents; Records. The Recipient shall ensure that:

(a) all documents related to the Project are promptly furnished to the World Bank upon its request, in such detail as the World Bank shall reasonably request;

(b) records are maintained adequate to record the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Grant and to disclose their use in the Project, and such records are furnished to the World Bank promptly upon its request;

(c) all records evidencing expenditures under the Project are retained until at least: (i) two years after the Closing Date; or (ii) if the World Bank requires audits of the Recipient’s Financial Statements pursuant to Section 2.07 (b) below, the later of: (A) one year after the World Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Grant Account was made; and (B) two years after the Closing Date; and

(d) the representatives of the World Bank are able to examine all records referred to above in paragraphs (b) and (c), and are provided all such information concerning such records as they may from time to time reasonably request.

Section 2.06. Project Monitoring, Reporting and Evaluation. The Recipient shall:

(a) ensure the maintenance of policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the World Bank, the progress of the Project and the achievement of its objectives; and

(b) if so required in accordance with the provisions of the Grant Agreement:

(i) (A) ensure the preparation and delivery to the World Bank of one or more project reports ("Project Reports"), in form and substance satisfactory to the World Bank, integrating the results of such monitoring and evaluation activities and setting out measures recommended by the Recipient to ensure the continued efficient and effective execution of the Project, and to achieve the Project’s
objectives; each Project Report to cover the period specified in the Grant Agreement and to be furnished to the World Bank not later than the date specified for that purpose in the Grant Agreement; and (B) afford the World Bank a reasonable opportunity to exchange views with the Recipient on such report, and thereafter implement such recommended measures, taking into account the World Bank’s views on the matter; and

(ii) ensure the preparation and delivery to the World Bank, not later than the date specified for that purpose in the Grant Agreement, of one or more completion reports (“Completion Reports”): (A) of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Project, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant; and (B) a plan designed to ensure the sustainability of the Project’s achievements.

Section 2.07. Financial Management; Financial Statements; Audits. The Recipient shall ensure that:

(a) a financial management system is maintained and financial statements (“Financial Statements”) are prepared in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and

(b) if so required in accordance with the provisions of the Grant Agreement: (i) the Financial Statements are periodically audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank; and (ii) the Financial Statements, as so audited, are furnished to the World Bank not later than the date specified in the Grant Agreement for that purpose, together with such other information concerning the audited Financial Statements and such auditors, as the World Bank may from time to time reasonably request.

Section 2.08. Cooperation and Consultation. The Recipient and the World Bank shall cooperate fully to assure that the purposes of the Grant and the objectives of the Project will be accomplished, and to this end, throughout the implementation of the Project and for a period of ten years thereafter:

(a) from time to time, at the request of either of them, exchange views on the Project, the Grant, and the performance of their respective obligations under the Grant Agreement, and furnish to the other party all such information related to such matters as it shall reasonably request; and

(b) promptly inform the other party of any condition which interferes with, or threatens to interfere with, such matters.
Section 2.09. Visits. The Recipient shall, throughout the implementation of the Project and for a period of ten years thereafter:

(a) if it is the Member Country, enable the representatives of the World Bank to visit any part of its territory for purposes related to the Grant;

(b) if it is not the Member Country, take all measures required on its part to enable the World Bank to visit any part of the Member Country’s territory for purposes related to the Grant; and

(c) enable the World Bank’s representatives: (i) to visit any facilities and sites included in the Project; and (ii) to examine the goods financed out of the proceeds of the Grant, and any documents relevant to the performance of its obligations under the Grant Agreement.

ARTICLE III
Withdrawal of Grant Proceeds

Section 3.01. Grant Account; Withdrawals Generally; Currency of Withdrawals.

(a) The World Bank shall credit the amount of the Grant in the currency of denomination of the Grant to the Grant Account. The Recipient may from time to time request withdrawals of amounts of the Grant from the Grant Account in accordance with the provisions of the Grant Agreement and of these Standard Conditions.

(b) Withdrawals of the proceeds of the Grant from the Grant Account shall be made in the currency of denomination of the Grant. The World Bank may, at the request and acting as an agent of the Recipient, and on such terms and conditions as the World Bank shall determine, purchase with such currency withdrawn from the Grant Account such other currencies as the Recipient shall reasonably request to meet payments for Eligible Expenditures. Whenever it shall be necessary for the purpose of the Grant Agreement or these Standard Conditions to determine the value of one currency in terms of another, such value shall be as reasonably determined by the World Bank.

Section 3.02. Funding Shortfall. Notwithstanding the provisions of Section 3.01, 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 the World Bank from resources provided to it for purposes of the Grant.

Section 3.03. Special Commitment by the World Bank. At the Recipient’s request and on such terms and conditions as the Recipient and the World Bank shall agree, the World Bank may enter into special commitments in writing to pay amounts for Eligible Expenditures notwithstanding any subsequent suspension or cancellation of an amount of the Grant ("Special Commitment").
Section 3.04. Applications; Supporting Evidence.

(a) When the Recipient wishes to withdraw an amount from the Grant Account or to request the World Bank to enter into a Special Commitment, the Recipient shall deliver to the World Bank a written application for the purpose in such form and substance as the World Bank shall reasonably request ("Application").

(b) The Recipient shall furnish to the World Bank: (i) evidence satisfactory to the World Bank of the authority of the person or persons authorized to sign each Application and the authenticated specimen signature of each such person; and (ii) such documents and other evidence in support of each Application as the World Bank shall specify, whether before or after the World Bank has permitted any withdrawal requested in the Application ("Supporting Evidence").

(c) Each Application for an amount of the Grant, and its Supporting Evidence, must be sufficient in form and substance to satisfy the World Bank that the Recipient is entitled to withdraw such amount from the Grant Account, and that such amount will be used only for the purposes specified in the Grant Agreement. Applications shall be made promptly in relation to Eligible Expenditures.

(d) The World Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to, or on the order of, the Recipient.

Section 3.05. Designated Accounts.

(a) The Recipient may open and maintain one or more designated accounts into which the World Bank may, at the request of the Recipient, deposit amounts withdrawn from the Grant Account as advances for purposes of the Project ("Designated Accounts"). All Designated Accounts shall be opened in a financial institution acceptable to the World Bank, and on terms and conditions acceptable to the World Bank.

(b) Deposits into, and payments out of, any Designated Account shall be made in accordance with the Grant Agreement and these Standard Conditions and such additional instructions as the World Bank may specify from time to time by notice to the Recipient. The World Bank may, in accordance with the Grant Agreement and such instructions, cease making deposits into any such account upon notice to the Recipient. In such case, the World Bank shall notify the Recipient of the procedures to be used for subsequent withdrawals from the Grant Account.

Section 3.06. Eligible Expenditures. The Recipient shall ensure that the proceeds of the Grant are used exclusively to finance expenditures which, except as otherwise provided in the Grant Agreement, satisfy the following requirements ("Eligible Expenditures"): 
(a) the payment is for the reasonable cost of goods, works or services required for the Project, to be financed out of the proceeds of the Grant and procured, all in accordance with the provisions of the Grant Agreement;

(b) the payment is not prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(c) the payment: (i) is made on or after the date specified in the Grant Agreement for that purpose; and (ii) except as the World Bank may otherwise agree, is for expenditures incurred prior to the Closing Date.

Section 3.07. Financing Taxes.

(a) The Grant Agreement may specify that the proceeds of the Grant may not be withdrawn to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such limitation on withdrawals.

(b) In the absence of such specification, the use of any proceeds of the Grant to pay for such Taxes is nevertheless subject to the World Bank’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the World Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such policy of the World Bank.

Section 3.08. Reallocation. If, in the World Bank’s opinion, an amount of the Grant allocated to a category of Eligible Expenditures under the Grant Agreement will be insufficient to finance the expenditures under such category, the World Bank may, by notice to the Recipient:

(a) reallocate to such category any other amount of the Grant which in the World Bank’s opinion is not needed for other Eligible Expenditures, to the extent required to meet the estimated shortfall; and

(b) if such reallocation will not fully meet the estimated shortfall, reduce the percentage of Eligible Expenditures to be financed under such category, in order that further withdrawals for such expenditures may continue until all such expenditures have been made.
ARTICLE IV
Cancellation; Suspension; Grant Refund

Section 4.01. Cancellation by the Recipient. The Recipient may, by notice to the World Bank, cancel any unwithdrawn amount of the Grant, except that the Recipient may not cancel any such amount that is subject to a Special Commitment.

Section 4.02. Suspension by the World Bank. The World Bank may, by notice to the Recipient, suspend the right of the Recipient to make withdrawals from the Grant Account if any of the following events occurs and is continuing. Such suspension shall continue until the World Bank has notified the Recipient that such right to make withdrawals has been restored.

(a) Interference. If the Grant has been made to a Recipient which is not the Member Country, the Member Country has: (i) taken or permitted to be taken any action which would prevent or interfere with the execution of the Project or the performance by the Recipient of its obligations under the Grant Agreement; or (ii) failed to afford a reasonable opportunity for representatives of the World Bank to visit any part of its territory for purposes related to the Grant or the Project.

(b) Performance Failure. The Recipient has failed to perform any obligation under the Grant Agreement.

(c) Cross Suspension. IBRD or IDA has suspended in whole or in part the right of the Recipient (or of the Member Country, if the Recipient is not the Member Country) to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient (or by the Member Country) to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.

(d) Extraordinary Situation. As a result of events which have occurred after the date of the Grant Agreement, an extraordinary situation has arisen which makes it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under the Grant Agreement.

(e) Misrepresentation. A representation made by the Recipient in or pursuant to the Grant Agreement, or any representation or statement furnished by the Recipient and intended to be relied upon by the World Bank in making the Grant, was incorrect in any material respect.

(f) Assignment of Obligations; Disposition of Assets. The Recipient (or any other entity responsible for implementing any part of the Project) has, without the consent of the World Bank: (i) assigned or transferred, in whole or in part, any of its obligations arising under or entered into pursuant to the Grant Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Grant; provided, however, that the provisions of this paragraph shall not apply with respect to transactions in the ordinary course of business.
which, in the opinion of the World Bank: (A) do not materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement or to achieve the objectives of the Project; and (B) if the Grant has been made to a Recipient which is not the Member Country, do not materially and adversely affect the financial condition or operation of the Recipient (or such other entity).

(g) **Membership.** The Member Country: (i) has been suspended from membership in or ceased to be a member of IBRD or of IDA; or (ii) has ceased to be a member of the International Monetary Fund.

(h) **Condition of Recipient.** If the Grant has been made to a Recipient which is not the Member Country:

(i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or of any other entity responsible for implementing any part of the Project).

(ii) The Recipient (or any other entity responsible for implementing any part of the Project) has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.

(iii) In the opinion of the World Bank, the legal character, ownership or control of the Recipient (or of any other entity responsible for implementing any part of the Project) has changed from that prevailing as of the date of the Grant Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement, or to achieve the objectives of the Project.

(i) **Additional Event.** Any other event specified in the Grant Agreement for the purposes of this Section has occurred ("Additional Event of Suspension").

Section 4.03. **Cancellation by the World Bank.** The World Bank may, by notice to the Recipient, terminate the right of the Recipient to make withdrawals with respect to an unwithdrawn amount of the Grant, and cancel such amount, if any of the following events occurs with respect to such amount:

(a) **Suspension.** The right of the Recipient to make withdrawals from the Grant Account has been suspended with respect to any amount of the Grant for a continuous period of thirty days.

(b) **Amounts not Required.** The World Bank determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance Eligible Expenditures.
(c) **Misprocurement; Fraud and Corruption.** The World Bank: (i) determines, with respect to any contract to be financed out of the proceeds of the Grant, that (A) the procurement of such contract is inconsistent with the procedures set forth or referred to in the Grant Agreement; or (B) corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or the Member Country, if the Recipient is not the Member Country, or other recipient of the Grant proceeds) during the procurement or the execution of such contract, without the Recipient (or Member Country or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to remedy the situation; and (ii) establishes the amount of expenditures under such contract which would otherwise have been eligible for financing out of the proceeds of the Grant.

(d) **Closing Date.** After the Closing Date, there remains an unwithdrawn amount of the Grant.

Section 4.04. **Amounts Subject to Special Commitment Unaffected.** No cancellation or suspension by the World Bank shall apply to amounts subject to any Special Commitment, except as expressly provided in the Special Commitment.

Section 4.05. **Grant Refund.**

(a) If the World Bank determines that an amount of the Grant has been used in a manner inconsistent with the provisions of the Grant Agreement or these Standard Conditions, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank. Such inconsistent use shall include, without limitation, use of such amount to: (i) make a payment for an expenditure that is not an Eligible Expenditure; or (ii) finance a contract during the procurement or execution of which corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or the Member Country, if the Recipient is not the Member Country, or other recipient of such amount of the Grant), without the Recipient (or Member Country or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to remedy the situation.

(b) Except as the World Bank may otherwise determine, the World Bank shall cancel all amounts refunded pursuant to this Section.

Section 4.06. **Continued Effectiveness.** Notwithstanding any cancellation, suspension or refund under this Article, all the provisions of the Grant Agreement shall continue in full force and effect, except as specifically provided in these Standard Conditions.
ARTICLE V
Enforceability; Arbitration

Section 5.01. Enforceability. The rights and obligations of the Recipient and the World
Bank under the Grant Agreement shall be valid and enforceable in accordance with their
terms notwithstanding the law of any state or of any of its political subdivisions to the
contrary. Neither the Recipient nor the World Bank shall be entitled in any proceeding
under this Article to assert any claim that any provision of these Standard Conditions or
of the Grant Agreement is invalid or unenforceable because of any provision of the
Articles of Agreement of IBRD or IDA, as the case may be.

Section 5.02. Failure to Exercise Rights. No delay in exercising, or omission to exercise,
any right, power or remedy accruing to any party under the Grant Agreement upon any
default shall impair any such right, power or remedy or be construed to be a waiver
thereof or an acquiescence in such default. No action of such party in respect of any
default, or any acquiescence by it in any default, shall affect or impair any right, power or
remedy of such party in respect of any other or subsequent default.

Section 5.03. Arbitration. Any controversy between the parties to the Grant Agreement
and any claim by any such party against the other arising under the Grant Agreement
which has not been settled by agreement of the parties shall be submitted to arbitration by
an arbitral tribunal ("Arbitral Tribunal") as hereinafter provided.

(a) The parties to such arbitration shall be the World Bank on the one side and
the Recipient on the other side.

(b) The Arbitral Tribunal shall consist of three arbitrators appointed as
follows: (i) one arbitrator shall be appointed by the World Bank; (ii) a second arbitrator
shall be appointed by the Recipient; and (iii) the third arbitrator ("Umpire") shall be
appointed by agreement of the parties or, if they do not agree, by the President of the
International Court of Justice or, failing appointment by said President, by the Secretary-
General of the United Nations. If either side fails to appoint an arbitrator, such arbitrator
shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this
Section resigns, dies or becomes unable to act, a successor arbitrator shall be appointed in
the same manner as prescribed in this Section for the appointment of the original
arbitrator and such successor shall have all the powers and duties of such original
arbitrator.

(c) An arbitration proceeding may be instituted under this Section upon notice
by the party instituting such proceeding to the other party. Such notice shall contain a
statement setting forth the nature of the controversy or claim to be submitted to
arbitration, the nature of the relief sought and the name of the arbitrator appointed by the
party instituting such proceeding. Within thirty days after such notice, the other party
shall notify to the party instituting the proceeding the name of the arbitrator appointed by
such other party.
(d) If, within sixty days after the notice instituting the arbitration proceeding, the parties have not agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (b) of this Section.

(e) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(f) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(g) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of the Arbitral Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Grant Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(h) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as are required for the conduct of the arbitration proceedings. If the parties do not agree on such amount before the Arbitral Tribunal convenes, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(i) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Grant Agreement or of any claim by any such party against the other such party arising under the Grant Agreement.

(j) If, within thirty days after counterparts of the award have been delivered to the parties, the award has not been complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, if the Recipient is the Member Country, this Section shall not authorize any entry of judgment or enforcement of the award against the Recipient except as such procedure may be available otherwise than by reason of the provisions of this Section.
(k) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 7.01. The parties to the Grant Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE VI
Effectiveness; Termination

Section 6.01. Effectiveness. Unless otherwise specified in the Grant Agreement, the Grant Agreement shall become effective on the date as of which it has been executed by all parties to the Grant Agreement.

Section 6.02. Termination. The Grant Agreement and all obligations of the parties under it shall forthwith terminate when all such obligations have been fully performed.

ARTICLE VII
Miscellaneous

Section 7.01. Notices and Requests. Any notice (or request) pursuant to the Grant Agreement shall be in writing. Such notice (or request) shall be deemed to have been duly given (or made) when it has been delivered by hand or by mail, telex or facsimile (or, if permitted under the Grant Agreement, by other electronic means) to the party to which such notice (or request) is directed ("Addressee"), at the address specified in the Grant Agreement for the purpose (or at such other address as the Addressee shall have designated by notice to the party giving such notice or making such request) ("Address"). Deliveries made by facsimile transmission shall also be confirmed by mail.

Section 7.02. Action on Behalf of the Recipient. The representative designated by the Recipient in the Grant Agreement, for the purpose of this Section (or any person authorized in writing by such representative for the purpose) ("Recipient's Representative"), may take any action required or permitted to be taken pursuant to the Grant Agreement, and execute any documents required or permitted to be executed pursuant to the Grant Agreement on behalf of the Recipient.

Section 7.03. Evidence of Authority. The Recipient shall furnish to the World Bank: (a) sufficient evidence of the authority of the Recipient's Representative; and (b) the authenticated specimen signature of such representative.

Section 7.04. Execution in Counterparts. The Grant Agreement may be executed in several counterparts, each of which shall be an original.

Section 7.05. Disclosure. The World Bank may make the Grant Agreement and any information related to the Grant Agreement publicly available in accordance with its policy on disclosure of information, in effect at the time of such disclosure.
APPENDIX
Definitions

1. “Additional Event of Suspension” means any event of suspension specified in the Grant Agreement for the purpose of Section 4.02 (i).

2. “Address” means the address of the Addressee referred to in Section 7.01, to which notices and requests pursuant to the Grant Agreement are to be directed.

3. “Addressee” means the party to which notices and requests are to be directed for the purpose of Section 7.01.

4. “Application” means an application made by the Recipient pursuant to Section 3.04 for withdrawal of an amount of the Grant from the Grant Account or to request the World Bank to enter into a Special Commitment with respect to an amount of the Grant.

5. “Arbitral Tribunal” means the arbitral tribunal established pursuant to Section 5.03.

6. “Closing Date” means the date specified in the Grant Agreement (or such later date as the World Bank shall establish by notice to the Recipient) after which the World Bank may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.

7. “Completion Report” means each report to be prepared and furnished to the World Bank pursuant to Section 2.06 (b) (ii).

8. “Designated Account” means each account referred to in Section 3.05 into which the Bank may deposit amounts withdrawn from the Grant Account as advances for purposes of the Project.

9. “Dollar”, “$” and “USD” each means the lawful currency of the United States of America.

10. “Eligible Expenditure” means an expenditure the payment for which meets the requirements of Section 3.06 and which is consequently eligible for financing out of the proceeds of the Grant.

11. “Financial Statements” means the financial statements to be maintained for the Project in accordance with Section 2.07.

12. “Grant” means the grant provided for in the Grant Agreement.
13. "Grant Account" means the account opened by the World Bank in its books in the name of the Recipient to which the Grant is credited in accordance with Section 3.01 (a).

14. "Grant Agreement" means the grant agreement between the Recipient and the World Bank providing for the Grant, as such agreement may be amended from time to time. "Grant Agreement" includes these Standard Conditions as applied to the Grant Agreement, and all appendices, schedules and agreements supplemental to the Grant Agreement.

15. "IBRD" means the International Bank for Reconstruction and Development.


17. "Member Country" means the member of the World Bank in whose territory the Project is carried out or any of such member’s political or administrative subdivisions. If the Grant is extended by the World Bank to such member as a party to the Grant Agreement, the term “Member Country” and “Recipient” refer to the same entity.

18. "Project" means the project described in the Grant Agreement, for which the Grant is made, as the description of such project may be amended from time to time by agreement between the Recipient and the World Bank.

19. "Project Report" means each report on the Project to be prepared and furnished to the World Bank for the purpose of Section 2.06 (b) (i).

20. "Recipient" means the party to the Grant Agreement to which the Grant is made.

21. "Recipient’s Representative" means the representative referred to in Section 7.02 designated by the Recipient in the Grant Agreement or authorized in writing by such representative for the purpose of such Section.

22. "Special Commitment" means any special commitment entered into or to be entered into by the World Bank pursuant to Section 3.03.

23. "Supporting Evidence" means the evidence and documents to be furnished to the World Bank in accordance with Section 3.04 (b) in connection with an Application.

24. "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Grant Agreement or imposed after that date.

25. "Umpire" means the third arbitrator appointed pursuant to Section 5.03 (b).
26. "World Bank" means: (a) IBRD if the Grant is made or administered by IBRD; (b) IDA if the Grant is made or administered by IDA; and (c) collectively, IBRD and IDA if the Grant is made or administered by both IBRD and IDA.