The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT

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February 5, 2015

H.E. Isabel Amaral Guterres
Minister of Social Solidarity
Ministry of Social Solidarity
Dili
Timor-Leste

Dear Minister,

Democratic Republic of Timor-Leste: Building Disaster/Climate Resilience in Communities Along the Dili-Ainaro and Linked Road Corridors in Timor-Leste Project (PHRD Grant No. TF018187)

In response to the request for financial assistance made on behalf of the Democratic Republic of Timor-Leste ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by Japan ("Donor") under the Policy and Human Resources Development Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed two million seven hundred and three thousand, eight hundred fifty United States Dollars (U.S.$2,703,850) ("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 to 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
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 specified by the World Bank in accordance with Section 4.01 of the Annex to this Agreement.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

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

AGREED:

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By: Authorized Representative

Name: Isabel Amaral Cuterres
Title: Minister of Social Solidarity
Date: February 6th, 2015

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

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.

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 additional terms have the following meanings:

(a) "Affected Persons" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

(b) "CBDRM Manual" means the community-based disaster risk management manual to be prepared by the Recipient pursuant to Section 2.03(c) of this Annex, setting forth the procedures, methodologies, roles and responsibilities of various stakeholders for preparing and implementing Subprojects under Part 2 of the Project, including the role of local governments and local, national and international non-governmental organizations.

(c) "Disaster Risk Management Plans" means the plans to be prepared by the target communities through a participatory process under Parts 1 and 2 of the Project.

(d) "NDMD" means National Disaster Management Directorate of the Ministry of Social Solidarity.

(e) "EMP" or "Environmental Management Plan" means the plan dated January 20, 2014, prepared by the Recipient and satisfactory to the World Bank, setting out mitigation, enhancement, monitoring, and institutional measures to eliminate any adverse environmental impacts of Project activities, offset them, reduce them, or enhance positive impacts, as may be amended from time to time with the prior approval of the World Bank.

(f) "Ministry of Social Solidarity" means the Recipient’s Ministry for social solidarity.

(g) "Operating Costs" means the incremental expenses reasonably incurred by the Recipient on account of Project implementation, support, management, and monitoring and evaluation, as approved by the World Bank on the basis of annual budgets acceptable to the World Bank, including utilities and supplies, bank charges, communications, printing and publications, media campaigns, stationery, maintenance, and insurance, and domestic travel
costs, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.

(h) “RAP” means each Resettlement Action Plan required for a set of activities included under the Project, giving details of the specific actions, measures and policies required to provide compensation, rehabilitation and resettlement assistance to Affected Persons, along with the procedural and institutional measures needed to implement such actions, measures and policies.

(i) “RPF” means the “Resettlement Policy Framework” prepared by the Recipient, satisfactory to the World Bank, dated September 2013, which sets forth the modalities for resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the agreement of the World Bank.

(j) “Subprojects” means implementation of selected prioritized risk reduction/adaptation activities prioritized under the comprehensive Suco level disaster risk management plans to be prepared and/or implemented under Part 2 of the Project.

(k) “Training” means training activities (other than consultants’ services) to be carried out under the Project, as approved by the World Bank on the basis of annual training and study tour plans acceptable to the World Bank, including the reasonable and necessary local travel expenses incurred by participants in training workshops, as well as lodging, subsistence, local and international per diem allowances according to the guidelines of the Recipient, registration, tuition and facilitators’ fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenditures directly relating to the training workshop and study tour activity, as may be agreed with the Recipient.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to build the capacity of communities around the Dili-Ainaro and linked road corridors and district and sector agencies in community-based disaster risk management and adaptation for reducing the impacts of recurring landslides and floods.

The Project consists of the following parts:

Part 1. Strengthening Capacity for Planning and Delivering Community-Based Disaster Risk Management

(a) Preparation of community hazard maps.

(b) Carrying out a program of activities designed to build the capacity at the central, Suco and community level for implementation of disaster risk management and adaptation activities, including preparing the human resources necessary for: i) community-based disaster risk
management (CBDRM), ii) identification of small scale CBDRM activities, and iii) preparing comprehensive community level disaster risk management plans for the area covered by this Project.

Part 2. Community-Based Disaster Risk Management and Adaptation Plans and Pilot Projects

Preparation of comprehensive Suco level disaster risk management plans for selected Sucos along the Dili-Ainaro and linked road corridor, including: a) identification of small scale structural and non-structural risk reduction measures, and prioritization for implementation, and b) implementation of selected prioritized risk reduction/adaptation activities (“Subprojects”).

Part 3. Project Management and Administration

Carrying out a program of activities designed to enhance the capacity of the NDMD for Project implementation, financial management, procurement, monitoring, evaluation, and audit.

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 through its National Disaster Management Directorate (“NDMD”) in accordance with the provisions of: (a) 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”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) Project Steering Committee

To ensure proper and efficient oversight of the Project, the Recipient shall, throughout Project implementation period, maintain the Project Steering Committee, chaired by the Minister of Social Solidarity, with mandate, composition and resources satisfactory to the World Bank, to be responsible for overall oversight and coordination of the Project.

(b) Project Implementation Unit

To ensure efficient and effective implementation of the Project, the Recipient shall, by not later than sixty (60) days from the date of this Agreement, establish and thereafter maintain, throughout the Project implementation period, a Project Implementation Unit (“PIU”) within the NDMD, with adequate qualified and experienced staff, resources and terms of reference, all satisfactory to the World Bank, to be responsible for day to day implementation of the Project.

(c) Project Operations Manual

The Recipient shall prepare and adopt a Project Operations Manual setting forth arrangements for implementation of the Project, including financial and procurement management and safeguards. The Recipient shall thereafter carry out the Project in accordance with the Project Operations Manual, and except as the World Bank shall otherwise agree in writing, the Recipient shall not amend, abrogate, or waive any provision of the Project Operations Manual without the prior written
agreement of the World Bank. In case of any discrepancies between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

(d) **Community Based Disaster Risk Management Manual**

1. The Recipient shall, by not later than 90 days after the Effective Date, prepare and adopt a CBDRM Manual, setting forth detailed procedures and the roles of various stakeholders for preparing and implementing Subprojects under Part 2 of the Project.

2. The Recipient shall carry out Part 2 of the Project in accordance with the CBDRM Manual. Except as the World Bank shall otherwise agree in writing, the Recipient shall not amend, abrogate, or waive any provision of the CBDRM Manual without the prior written agreement of the World Bank. In case of any discrepancies between the provisions of the CBDRM Manual and those of this Agreement, the provisions of this Agreement shall prevail.

(e) **Safeguards**

1. The Recipient shall carry out the Project out in accordance with the provisions of the EMP and RPF.

2. If any RAP would be required for any Project activities on the basis of the RPF, the Recipient shall ensure that: (a) said RAP has been prepared in accordance with the requirements of the RPF, furnished to the World Bank for approval, and disclosed locally; and (b) no such activities shall commence until: (i) all measures required to be taken under said RAP prior to the initiation of said activities have been taken; (iii) a report, in form and substance satisfactory to the World Bank, on the status of compliance with the requirements of said RAP has been prepared and furnished to the World Bank; and (iv) the World Bank has confirmed that said activities may be commenced.

3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, in accordance with terms of reference satisfactory to the World Bank: (a) monitor the status of compliance with the EMP and RPF; and (b) prepare quarterly reports and furnish the same to the World Bank, as part of the Project Reports, on the results of such monitoring activities, giving details of:

   (i) measures taken in furtherance of the EMP and RPF;
   (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the EMP and RPF; and
   (iii) remedial measures taken or required to be taken to address such conditions.

4. The Recipient shall afford the World Bank a reasonable opportunity to review the reports prepared under sub-paragraph 2 of this paragraph (e), and thereafter shall carry out or cause to be carried out, with due diligence, all remedial measures agreed with the World Bank so as to ensure the proper implementation of the Project in accordance with the EMP and RPF.
5. Except as the World Bank shall otherwise agree in writing, the Recipient shall not amend or waive any provision of the provisions of the EMP and RPF. In the event of a conflict between the provisions of the EMP and RPF, and those of this Agreement, the latter shall prevail.

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, enable the representatives of the Donor to visit any parts of the Recipient’s territory for purposes related to the Project.

2.05. *Project Monitoring, Reporting and Evaluation.*

(a) 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 and set forth in the Project Operations Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) 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.

2.06. *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 (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements 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.

2.07. *Procurement*

(a) General. All goods, works, 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 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(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 (“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, Works and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works 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, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, subject to the additional provisions set forth in Attachment A to this Schedule; (B) Shopping; and (C) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) 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) 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services for Parts 1 and 3 of the Project</td>
<td>543,650</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training for Parts 1 and 2 of the Project</td>
<td>200,200</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>70,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods for Parts 1 and 3 of the Project</td>
<td>18,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Good, works and consultant services for Subprojects under Part 2 of the Project</td>
<td>1,872,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,703,850</strong></td>
<td><strong>100%</strong></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:

(a) made prior to the date of countersignature of this Agreement by the Recipient.

(b) under Category (5) until and unless the CBDRM Manual referred to in Section 2.03(d) has been prepared and adopted in form and substance acceptable to the World Bank.
3.03. The Recipient’s Representative for the purposes of taking any action required or permitted to be taken pursuant to this Section is the Minister of Finance.

3.04. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 30, 2017

**Article IV**

**Effectiveness; Termination**

4.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied, namely that, the Recipient has prepared and adopted the Project Operations Manual referred to in Section 2.03(c) of the Annex to this Agreement, in form and substance satisfactory to the World Bank.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article V**

**Recipient’s Representative; Addresses**

5.01. **Recipient’s Representative.** Except as provided in Section 3.03 of this Annex to the Agreement, the Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Social Solidarity.

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

Ministry of Social Solidarity  
Caicoli Street, Caicoli, Dili  
Democratic Republic of Timor-Leste  
Phone: +670 77230107  
Facsimile: Fax: +670 3322597

5.03. **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: INDEVAS 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C. 64145 (MCI)
ATTACHMENT A

National Competitive Bidding Procedures

The following provisions shall apply in respect of contracts for goods and works financed under the Project and procured according to National Competitive Bidding (NCB) procedures.

1. Eligibility

The eligibility of bidders shall be as defined under Section I of the World Bank’s Procurement Guidelines; accordingly, no bidder or potential bidder should be declared ineligible for contracts financed by the World Bank for reasons other than the ones provided by Section I of the Guidelines.

2. Bidders Participation

No eligibility restrictions based on nationality of bidder or origin of goods shall apply; therefore, foreign bidders shall be allowed to participate in NCB without restriction.

No limitations shall be imposed on any bidder as to the number of tenders in which he may participate during a given period of time.

Prior registration, obtaining a license or an agreement shall not be a requirement for any bidder to participate in bidding procedures.

3. Advertising, Time for Bid Preparation

Potential bidders shall be allowed adequate time to prepare bids which should not be less than thirty (30) days, except for commodities and small goods contracts.

4. Standard Bidding Documents

Standard Bidding Documents, acceptable to the World Bank, should be used.

5. Bid Security

Bid security shall not be required for all procurement and shall be capped to a reasonable percentage of the amount of the contract in order not to hinder competition; when required, it shall be in the form of a bank guarantee from a reputable bank.

6. Qualification Criteria and Evaluation Criteria

Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder’s qualifications should be conducted separately from the technical and commercial evaluation of the bid.
7. Bid Opening, Evaluation and Award of Contract

Bids shall be opened immediately after the stipulated deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened.

(a) Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; Merit points shall not be used in bid evaluation.

(b) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.

(c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(d) No bidder shall be rejected on the basis of a comparison with the employer’s estimate and budget ceiling without the World Bank’s prior concurrence.

8. Preferences

No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

9. Rejection of All Bids and Re-bidding

All bids shall not be rejected or new bids solicited without the World Bank’s prior written concurrence.

10. Publication of the Award of Contract

Publication of the contract award should include: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid; (d) name of bidders whose bids were rejected; and (e) name of the winning bidder; upon request, the Recipient shall inform unsuccessful bidders of the reasons of their rejection.

11. Complaints by Bidders and Handling of Complaints

The Recipient shall establish an effective and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

12. Fraud and Corruption

The World Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank.
13. **Right to Inspect/Audit**

Each bidding document and contract financed from the proceeds of the Financing shall include a provision requiring bidders, suppliers and contractors to permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.