OFFICIAL DOCUMENTS

CREDIT NUMBER 6012-TL
Amendment
Grant Number H683-TP
Loan Number 8290-TL
Credit Number 5303-TL

Financing Agreement

(Second Additional Financing for the Road Climate Resilience Project and Amendment to the Original Financing Agreement, the First Additional Loan Agreement and the First Additional Financing Agreement)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 7 June, 2017
FINANCING AGREEMENT

AGREEMENT dated ✧ June ✧, 2017, entered into between DEMOCRATIC REPUBLIC OF TIMOR-LESTE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) under an agreement, dated July 6, 2011 between the Recipient and the Association ("Original Financing Agreement"), the Association agreed to provide the Recipient with a grant in an amount equivalent to twelve million seven hundred thousand Special Drawing Rights (SDR 12,700,000) to assist in financing the Road Climate Resilience Project described in Schedule 1 to the Original Financing Agreement ("Original Project");

(B) under agreements dated November 18, 2013 between the Recipient and the International Bank for Reconstruction and Development ("Bank") ("First Additional Loan Agreement") and the Association ("First Additional Financing Agreement"), the Bank and the Association agreed to provide, respectively, a loan in the amount of fifteen million Dollars (US$15,000,000) and a credit in the amount of twenty-five million Dollars (US$25,000,000) as additional financing to the Original Project, as then amended;

(C) the Recipient has requested the Association to provide additional financing to the Original Project, as amended in this Agreement, by making available to the Recipient an additional credit ("Additional Crédit") in an amount equivalent to twenty-six million Special Drawing Rights (SDR 26,000,000); and

WHEREAS the Association has agreed to extend such additional financing to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement, the Original Financing Agreement, First Loan Agreement and the First Additional Financing Agreement, except as modified in this Agreement.
ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty-six million Special Drawing Rights (SDR 26,000,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are March 15 and September 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is US Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Conselho de Administracao do Fundo das Infra-Estruturas (“CAFI”) and the Ministry of Public Works and Transport and Communication (“MPW”) in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — TERMINATION

4.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Minister of Finance.

5.02. The Recipient’s Address is:

Ministry of Finance
Palácio do Governo
Edifício 5, 1Andar
Dili, Democratic Republic of Timor-Leste

Facsimile:

+670-332-13-39

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391
AGREED at DILI, TIMOR-LESTE, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By

[Signature]

Authorized Representative

Name: Santina J. R. F. V. Cardoso
Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Mona Sur
Title: ACTING COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to deliver sustainable climate resilient road infrastructure on the Dili-Ainaro corridor.

The Project consists of the following parts:

Part 1. **Development and Maintenance of Climate Resilient Road Infrastructure**

A. Carrying out of civil works and maintenance to reduce the impact of volume and intensity of rainfall on road infrastructure, including: (a) construction or reinforcement of slope stabilization structures; (b) improvement of drainage structures; (c) road infrastructure upgrading; and (d) maintenance of the Dili-Ainaro Road Corridor.

B. Design and supervision of activities under Part 1.A of the Project.

Part 2. **Project Support and Training**

Strengthening the implementation capacity of the PMU to support MPW with the Project execution, and carrying out of a training program for MPW staff, local contractors and community-based contractors for assisting in the implementation of Part 1 of the Project, as well as the hiring of an independent monitor for supervision of implementation of the Resettlement Policy Framework and any Resettlement Action Plans.

Part 3. **Feasibility Studies and Detailed Design**

Carrying out of feasibility studies and detailed designs of selected road segments linked to the Dili-Ainaro Road Corridor.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

The Implementation Arrangements provisions set forth in Sections I. A, B C, D and E, with modifications set forth below, are incorporated herein and shall apply *mutatis mutandis*, to this Agreement. The Recipient hereby undertakes to comply with the provisions thereof to the same extent as if those provisions have been set out in full in this Agreement.

(a) Project Operational Manual: Section B(i) is replaced with the following:

“(i) the detailed description of the implementation activities under Parts 1, 2, and 3 of the Project, their sequencing and the respective timetable and benchmarks in relation thereto;”

(b) Safeguards: A new Section D(9) is added as follows:

“9. The Recipient shall ensure that all studies and technical assistance to be supported under the Project are carried out under terms of reference satisfactory to the Association, and that such terms of reference are consistent with, and pay due attention to, the Association’s Safeguards Policies.”

Section II. Project Monitoring, Reporting and Evaluation

The Project Monitoring, Reporting and Evaluation provisions set forth in Section II.A of Schedule 2 to the First Additional Financing Agreement are incorporated herein and shall apply, *mutatis mutandis*, to this Agreement. The Recipient hereby undertakes to comply with the provisions thereof to the same extent as if those provisions have been set out in full in this Agreement.

Section III. Procurement

The Procurement arrangements described in Section III of Schedule 2 of the First Additional Financing Agreement are incorporated herein provided however that the Consultant Guidelines and Procurement Guidelines shall be defined as set forth in paragraphs 1 and 9 in the Appendix to this Agreement and shall apply, *mutatis mutandis*, to this Agreement. The Recipient hereby undertakes to comply with the provisions thereof to the same extent as if those provisions have been set out in full in this Agreement.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions (including the "World Bank Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions) as the Association shall specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works under Part 1 of the Project</td>
<td>20,020,000</td>
<td>87.32%</td>
</tr>
<tr>
<td>(2) Goods, consultants' services, non-consulting services, Incremental Operating Costs and Training under Parts 1, 2 and 3 of the Project</td>
<td>5,980,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>26,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed three hundred seventy thousand Special Drawing Rights (SDR 370,000) for payments made twelve months prior to this date, for Eligible Expenditures under Category 2.

2. The Closing Date is December 31, 2021.
Annex to Schedule 2

National Competitive Bidding Procedures

The bidding procedure to be followed for National Competitive Bidding (NCB) under the Procurement Guidelines shall be the competitive methods in the Recipient’s Decree Law no. 10/2005 of the Procurement Legal Regime (PLR), and other applicable laws of the Recipient, with modifications set forth below in order to ensure economy, efficiency, transparency and broad consistency with the provisions of the Procurement Guidelines.

Eligibility

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

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.

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.

Standard Bidding Documents

Standard Bidding Documents, acceptable to the Association, should be used.

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.
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.

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 Association’s prior concurrence.

Preferences

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

Rejection of All Bids and Re-bidding

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

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.
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.

Fraud and Corruption

The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, 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 Association.

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 Association, 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 Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing Sept 15, 2022 to and including March 15, 2032</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing September 15, 2032 to and including March 15, 2042</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

The Definitions set forth in the Financing Agreement with modifications set forth below, are incorporated herein and shall apply mutatis mutandis, to this Agreement. The Recipient hereby undertakes to apply the definitions thereof to the same extent as if those definitions have been set out in full in this Agreement.


2. “Environmental Management Plan” means the plan, satisfactory to the Association, developed by the Recipient for the Project and publicly disclosed on February 9, 2017, on the website www.mof.gov.tl which sets out, inter alia: (i) the specific actions, measures and policies designed to maximize the benefits of the Project, as well as eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, during its design, construction and operation phases; (ii) approximate location, timeframe and mitigation costs; (iii) reference to the relevant laws, regulations, and contract documents; (iv) responsibility for implementation and supervision; and (v) a field monitoring checklist to be used by the supervising engineers, as said plan may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.

3. “First Additional Financing Agreement” means the credit agreement for the Project between the Recipient and the Association, dated November 18, 2013 as amended to the date of this Agreement (Credit No. 5303-TL), and such term includes all appendices, schedules and agreements supplemental to the First Additional Financing Agreement.

4. “First Additional Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, dated November 18, 2013 as amended to the date of this Agreement (Loan Agreement No. 8290-TL), and such term includes all appendices, schedules and agreements supplemental to the First Additional Loan Agreement.

5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

6. “MPW” means the Recipient’s Ministry of Public Works and Transport and Communication or any successor thereto.
7. "Original Financing Agreement" means the grant agreement for the Project between the Recipient and the Association dated July 6, 2011 as amended to the date of this Agreement (Grant No. H683-TP), and such term includes all appendices, schedules and agreements supplemental to the Original Financing Agreement.

8. "Original Project" means the Project described in the Original Financing Agreement.


10. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated February 23, 2017 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).

Section III. Amendments the Original Financing Agreement (Grant H683-TP), Loan Agreement (IBRD 8290-TL), and Financing Agreement (Credit 5303-TL)

1. Amendments to the Original Financing Agreement

   The Recipient and the Association hereby agree to amend the Original Financing Agreement (Grant H683-TP) as follows:

   a. Schedule 1 to the Original Financing Agreement is amended and replaced by Schedule 1 to this Agreement.

   b. Section I. D, Schedule 2 is amended to add the following paragraph:

      “9. The Recipient shall ensure that all studies and technical assistance to be supported under the Project are carried out under terms of reference satisfactory to the Association, and that such terms of reference are consistent with, and pay due attention to, the Association’s Safeguards Policies.”

   c. Section III, A, Schedule 2 is amended to refer to the Consultant Guidelines and Procurement Guidelines as defined paragraphs 1 and 9 in the Appendix to this Agreement.

   d. Category 1 in the table in Section IV.A.2 of Schedule 2 to the Original Financing Agreement is amended as follows:

      “(1). Works under Part 1 of the Project”

   e. The Closing Date under Section IV.B.2 of Schedule 2 to the Original Financing Agreement is extended to December 31, 2019.
f. The definitions in the Appendix to the Original Financing Agreement are amended and replaced by the definitions in the Appendix to this Agreement except for those terms which appear only in the Original Financing Agreement.

2. Amendments to the First Additional Loan Agreement

The Borrower and the Bank hereby agree to amend the First Additional Loan Agreement (IBRD 8290-TL) as follows:

a. Schedule 1 to the First Additional Loan Agreement is hereby amended and replaced by Schedule 1 to this Agreement.

b. Section I.B (i) of Schedule 2 of the First Additional Loan Agreement is amended as follows:

"(i) the detailed description of the implementation activities under Parts 1, 2, and 3 of the Project, their sequencing and the respective timetable and benchmarks in relation thereto;"

c. Section I. D of Schedule 2 of the First Additional Loan Agreement is amended to add the following paragraph:

"9. The Borrower shall ensure that all studies and technical assistance to be supported under the Project are carried out under terms of reference satisfactory to the Bank, and that such terms of reference are consistent with, and pay due attention to, the Bank’s Safeguards Policies."

d. Section III, A of Schedule 2 is amended to refer to the Consultant Guidelines and Procurement Guidelines as defined paragraphs 1 and 9 in the Appendix to this Agreement.

e. Categories 1 and 2 in the table of Section IV.A.2 of Schedule 2 to the First Additional Loan Agreement is amended as follows:

"(1) Works under Part 1 of the Project"

"(2) Goods, consultants’ services, non-consulting services, Incremental Operating Costs and Training for Parts 1, 2 and 3 of the Project"

f. The Closing Date under Section IV.B.2 of Schedule 2 to the First Additional Loan Agreement is extended to December 31, 2020.
g. The definitions in the Appendix to the First Additional Loan Agreement are amended and replaced by the definitions in the Appendix to this Agreement except for those terms which appear only in the First Additional Loan Agreement.

3. Amendments to the First Additional Financing Agreement

The Recipient and the Association hereby agree to amend the First Additional Financing Agreement (Credit 5303-TL) as follows:

a. Schedule 1 to the First Additional Financing Agreement is hereby amended and replaced by Schedule 1 to this Agreement.

b. Section I.B. (i) of Schedule 2 of the Financing Agreement is amended as follows:

“(i) the detailed description of the implementation activities under Parts 1, 2, and 3 of the Project, their sequencing and the respective timetable and benchmarks in relation thereto;”

c. Section I. D of Schedule 2 of the First Additional Financing Agreement is amended to add the following paragraph:

“9. The Recipient shall ensure that all studies and technical assistance to be supported under the Project are carried out under terms of reference satisfactory to the Association, and that such terms of reference are consistent with, and pay due attention to, the Association’s Safeguards Policies.”

d. Section III. A of Schedule 2 is amended to refer to the Consultant Guidelines and Procurement Guidelines as defined paragraphs 1 and 9 in the Appendix to this Agreement.

e. Categories 1 and 2 in the table of Section IV.A.2 of Schedule 2 to the First Additional Financing Agreement is amended as follows:

“(1) Works under Part 1 of the Project”

“(2) Goods, consultants’ services, non-consulting services, Incremental Operating Costs and Training for Parts 1, 2 and 3 of the Project”

f. The Closing Date under Section IV.B.2 of Schedule 2 to the First Additional Financing Agreement is extended to December 31, 2020.

g. The definitions in the Appendix to the First Additional Financing Agreement are amended and replaced by the definitions in the Appendix
to this Agreement except for those terms which appear only in the First Additional Financing Agreement.