

CONFORMED COPY

GRANT NUMBER H414 -TP

Financing Agreement

(Youth Development Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 18, 2008

GRANT NUMBER H414-TP

FINANCING AGREEMENT

AGREEMENT dated September 18, 2008, entered into between DEMOCRATIC REPUBLIC OF TIMOR-LESTE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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.

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 grant in an amount equivalent to one million three hundred thousand Special Drawing Rights (SDR 1,300,000) (“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 Payment Dates are January 15 and July 15 in each year.
- 2.05. The Payment Currency is 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 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 – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has adopted a Project Operation Manual, in form and substance acceptable to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient’s Representative is the Minister of Finance.
- 5.02. The Recipient’s Address is:

Ministry of Finance
Palacio do Governo
Edificio 5, 1. Andar
Dili,
Democratic Republic of Timor-Leste

Facsimile:
670-331-2467

E-mail:
jabilio@mof.gov.tl

- 5.03. The Association’s Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at, Dili, Democratic Republic of Timor-Leste, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By: /s/ Emilia Pires

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Nigel Roberts

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to promote youth empowerment and their inclusion in development by expanding the capacities of, and opportunities for, youth groups to initiate and participate in community and local development initiatives.

The Project consists of the following parts:

PART A: OPERATIONALIZATION OF THE NATIONAL YOUTH POLICY

1. Institutional Strengthening

(a) Strengthening of the capacity of the SSYS to develop, implement and coordinate policy and programs identified in the National Youth Policy, including the provision of technical advisory services, equipment and logistical assistance to: (i) carry out a series of capacity building activities; (ii) conduct an annual progress report of its capacity development program; and (iii) undertake an annual expenditure review of the Recipient's budget execution for programs for youth.

(b) Provision of technical advisory services, equipment and logistical assistance for the establishment of a unit within SSYS to manage and administer the NYF, including the design and implementation of guidelines and mechanisms to administer and monitor the NYF, technical assistance, office refurbishment, dissemination of information about the NYF, and outreach and capacity building.

2. Youth Centers Strengthening

Strengthening of the capacity of the SSYS to work with, and coordinate the activities of, youth centers and youth associations, including capacity building for the staff and management of select youth centers and youth associations.

PART B: YOUTH IN LOCAL DEVELOPMENT

1. Youth Grants

Establishment, operation and administration of a fund to: (a) assist the youth at the village level to identify, prioritize, and to carry out Sub-projects including, inter alia, livelihood activities; (b) rehabilitation of youth centers; (c) organization of social events; (d) construction of small infrastructure; and (e) life-skills training.

2. **Youth Facilitators and Capacity Building**

Provision of technical advisory services and logistical assistance for the implementation of Sub-projects, focusing on training of a corps of youth facilitators, dissemination of information about the Project, organization of youth consultation meetings, and technical assistance for capacity building of youth programs implementation teams.

3. **Program Implementation and Technical Support**

Enhancing the implementation capacity of the MSATM's existing Project Management Unit for Local Development Program, through the provision of technical advisory services and equipment, carrying out of training, and for undertaking communication activities.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall: (a) adopt a Project Operational Manual, in form and substance acceptable to the Association; (b) carry out the Project in accordance with the Project Operation Manual; and (c) not amend, abrogate, suspend, or waive any provision of said Project Operation Manual without the prior concurrence of the Association.
2. In order to provide Project oversight, the Recipient shall establish and maintain, until the completion of the Project, a Project Steering Committee (PSC) comprising of the Minister of MSA, the Secretary of the SSYS, a representative of MED, and a civil society representative. The Minister of MSATM and Secretary of the SSYS shall co-chair the PSC, which shall meet semi-annually and shall be responsible, inter alia, for: (a) overseeing the Technical Working Group; (b) facilitating the coordination of the various agencies and institutions involved in the Project; (c) reviewing progress reports; and (d) endorsing annual work programs.
3. The Recipient shall appoint a TWG as the technical focal point for Project implementation. Said TWG shall include lead representatives from MSATM and SSYS and the heads of finance from both MSATM and SSYS, and shall be responsible for: (i) the coordination between MSATM and SSYS on finance and procurement matters; (ii) the coordination among other institutions involved in the Project, including contractors involved in its implementation; and (iii) liaising with the Association.
4. The Recipient shall cause: (i) SSYS to carry out Part A of the Project; and (ii) MSATM to carry out Part B of the Project.

B. Block Grants

1. In the carrying out of Part B1 of the Project, the Recipient shall cause MSATM to make Block-grants to respective Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association, and under a Block-grant Agreement which shall include, inter alia, provisions that:
 - (a) the Block-grant shall be denominated in Dollars; and

- (b) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Block-grant, or declare to be immediately due and payable all or any part of the amount of the Block-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Block-grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Block-grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives; (E) (I) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (II) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Recipient shall exercise its rights under each Block-grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Block-grant Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following: (i) percentage change in youth from targeted communities who feel that there are more opportunities for youth participation; (ii) percentage change in youth from targeted communities who participate in community development activities in urban and rural areas; and (iii) improved performance of the SSYS.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a Financial Management System in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

- 2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
- 3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding subject to the provisions specified in Annex to this Schedule
(b)	Shopping
(c)	Procurement through UN Agencies
(d)	Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Selection under a Fixed Budget
(b)	Least Cost Selection
(c)	Selection Based on the Consultants Qualifications
(d)	Single Source Selection
(e)	Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Prior Review of TORs

Notwithstanding the provision of paragraph D above, the Association may, on a selective basis, and as identified in the Procurement Plan, review the terms of reference of Individual Consultants.

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 as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), 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:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Block-grants for Sub-projects	670,000	100%
(2) Goods and works, Consultants' services, training, studies, workshops, and Incremental Operating Costs	630,000	100%
TOTAL AMOUNT	<u>1,300,000</u>	

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 SDR 160,000 equivalent may be made for payments made prior to this date but on or after March 1, 2008, for Eligible Expenditures.
2. The Closing Date is December 31, 2011.

**ANNEX
to
SCHEDULE 2**

National Competitive Bidding Procedures

1. The following provisions shall apply in respect of contracts for goods and works financed out of the proceeds of the Grant and procured according to National Competitive Bidding procedures (“NCB”).

2. Eligibility

The eligibility of bidders shall be as defined under Section I of the Association’s Guidelines for Procurement under IBRD Loans and IDA Credits, published by the Association in May 2004 and revised in October 2006; 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.

3. Bidders participation

- (a) 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.
- (b) No limitations shall be imposed on any bidder as to the number of tenders in which may participate during a given period of time.
- (c) Prior registration, obtaining a license or an agreement shall not be a requirement for any bidder to participate in bidding procedures.

4. 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.

5. Standard Bidding Documents

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

6. 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.

7. 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.

8. 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.

9. Preferences

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

10. Rejection of all bids and re-bidding

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

11. 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.

12. 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.

13. 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, or coercive practices in competing for, or in executing, a contract financed by the Association.

14. Right to Inspect/Audit

Each bidding document and contract financed from the proceeds of the Grant shall provide that bidders, suppliers and contractors, shall 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.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means a youth group receiving a Block-grant (as hereinafter defined) to carry out a Sub-project under Part B1 of the Project.
3. “Block-grant” means funds provided to the Beneficiaries to carry out a Sub-project (as hereinafter defined).
4. “Block-grant Agreement” means the Agreement between MSATM and a Beneficiary to carry out a specific Sub-project (as hereinafter defined).
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
7. “Incremental Operating Costs” means costs incurred on account of the operation and maintenance of facilities, equipment and vehicles used for Project implementation, communication and utility costs, cost of stationeries and other office supplies, but excluding salaries of the Recipient’s civil servants.
8. “MED” means the Recipient’s Ministry of Economy and Development or any successor thereto.
9. “MOF” means the Recipient’s Ministry of Finance or any successor thereto.
10. “MSATM” means the Recipient’s Ministry of State Administration and Territorial Management or any successor thereto.
11. “NYF” means the National Youth Fund, to be managed under Part A of the Project.
12. “National Youth Policy” means the Recipient’s National Youth Policy dated November 14, 2007.

13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 16, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Project Operation Manual” means the manual to be adopted by the Recipient pursuant to Section 4.01 of this Agreement, which shall include, *inter alia*: (i) implementation, financial management, audit and procurement arrangements for the Project; (ii) monitoring and evaluation procedures; (iii) the criteria, methods and procedures to be used for providing Block-grants for Sub-projects; (iv) environmental guidelines for Sub-projects; and (v) guidelines for the preparation and implementation of annual work plans, as said Manual may be amended from time to time with the prior agreement of the Association.
16. “PSC” means the Project Steering Committee, referred to in paragraph 2 of Schedule 2 to this Agreement.
17. “SSYS” means the Recipient’s Secretariat of State for Youth and Sports, or any successor thereto.
18. “Sub-project” means a set of activities carried out under Part B.1 of the Project and for which a Block-grant is to be provided.
19. “TWG” means the Technical Working Group referred to in paragraph 3 of Section I of Schedule 2 to this Agreement, established by the Recipient to assist it in the implementation of the Project.