

CONFORMED COPY

GRANT NUMBER H317-TP

Financing Agreement

(Energy Services Delivery Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 27, 2007



GRANT NUMBER H317-TP

FINANCING AGREEMENT

AGREEMENT dated July 27, 2007, 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 six hundred forty thousand Special Drawing Rights (SDR 1,640,000) (“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 April 15 and October 15 in each year.
- 2.05. The Payment Currency is United States 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 MNRMEP 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 Effectiveness Deadline is the date ninety (90) 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 the Minister of Planning and Finance.
- 5.02. The Recipient’s Address is:

Minister of Planning and Finance
Ministry of Planning and Finance
GPA Building 5
Dili
Democratic Republic of Timor-Leste

Facsimile:

(670) 333-9782

- 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/ Maria Madalena Brites Boavida
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Nigel Roberts
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to assist the Recipient to stabilize the power services in Dili, by restoring or improving operational efficiency, reliability, safety and availability of power supply, and to promote long-term sustainability of the power sector.

Part 1: Emergency Repair and Maintenance of Comoro Power Station

Emergency repair and maintenance of the Comoro Power Station, including purchase of spare parts.

Part 2: Rehabilitation and Upgrading of Dili Power Distribution System

(a) Installation of additional distribution transformers; (b) construction of new low voltage lines; (c) upgrading conductors; (d) reinstallation of prepaid meters based on appropriate theft proofing standards; (e) installation of medium voltage feeder reclosers and meters; and (f) installation of power connections to new customers, in each case in Dili.

Part 3: Distribution of Energy Efficient Light Bulbs

Provision of energy efficient compact fluorescent lamps to consumers in the Dili system to replace traditional incandescent light bulbs.

Part 4: Institutional Capacity Building

Strengthening the capacity of:

(a) Ministry of Natural Resources, Minerals and Energy Policy including, to: (i) improve the quality of its policy-making, sector planning, monitoring and conducting of performance audits of the management contractor of *Electricidade de Timor-Leste*, subsidy and pricing policies; and (ii) carry out project construction supervision, procurement, financial management and other project implementation support activities.

(b) *Electricidade de Timor-Leste* to address the design and planning of the rehabilitation of the Comoro Power Station and the power distribution system, including the provision of office and field work equipment.

SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

A. Institutional Arrangements.

1. The Recipient shall appoint, and maintain until completion of the Project, a Project team, acceptable to the Association, led by the Director of NDWEP, responsible for the daily management and overall coordination and implementation of the Project, and provided with staffing in adequate numbers, including a financial and procurement officer, funds and other resources, in each case as shall be necessary to carry out its responsibilities.
2. The Recipient shall carry out the procurement and financial management for the Project through NDAF.

B. Implementation of the Project.

1. EDTL shall, in consultation with the engineer consultants engaged under Part 4 of the Project, develop and implement an operations and maintenance plan, acceptable to the Association, for the investments to be carried out under Parts 1 and 2 of the Project.
2. For the implementation of the Project, the Recipient shall, on an annual basis commencing in 2008 and on a date acceptable to the Association to be determined in coordination with the annual review of the Procurement Plan, prepare and furnish to the Association for its review and comments a list of the activities to be carried out during the following year; revise such list of activities taking into account the comments of the Association; and thereafter implement such activities in a manner satisfactory to the Association.

C. Anti-Corruption.

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

D. Safeguards.

1. The Recipient shall:
 - (a) implement and cause to be implemented, in a manner satisfactory to the Association, the Environmental Management Plan designed to ensure that the

Project is implemented in accordance with sound environmental practices and standards; and

(b) provide to the Association, for its prior approval, any revision proposed to be introduced into the EMP in order to achieve their respective objectives, and, thereafter, introduce only such revisions into the EMP as shall have been agreed with the Association.

2. The Recipient shall, in carrying out the Project:

(a) take and cause to be taken all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently; and

(b) to this end, implement and cause to be implemented the Resettlement Policy Framework, in a manner satisfactory to the Association in respect of Displaced Persons.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports.

1. 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 agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
2. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2009, a mid-term review report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II(A) on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.
3. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits.

1. The Recipient shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than one (1) month 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:

<u>Procurement Method:</u>
(a) National Competitive Bidding, subject to additional provisions set forth in the Annex to this Schedule
(b) Shopping
(c) 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:

<u>Procurement Method:</u>
(a) Quality-Based Selection
(b) Selection Based on the Consultants' Qualification
(c) Single Source Selection
(d) Selection of Individual Consultants
(e) Sole Source Procedures for the Selection of 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.

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 grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods, works and consultants’ services for the Project	1,600,000	100%
(2) Training	20,000	100%
(3) Incremental Operating Costs	20,000	100%
TOTAL AMOUNT	<u>1,640,000</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.
2. The Closing Date is December 31, 2011.

ANNEX to SCHEDULE 2**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 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.

2. 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 he 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.

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 Association, 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 Association'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 Association'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 borrower 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 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.

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

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. “Displaced 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: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
3. “EDTL” means *Electricidade de Timor-Leste*, the unit within the MNRMEP responsible for the provision of electricity within the Democratic Republic of Timor-Leste.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
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. “Environmental Management Plan” and the acronym “EMP” mean the environmental environment plan dated May 2007, and duly adopted by the MNRMEP in respect of the Project, which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as the same may be revised from time to time with the prior agreement of the Association.
8. “Fiscal Year” and the acronym “FY” mean the Recipient’s fiscal year commencing July 1 and ending June 30.
9. “Incremental Operating Costs” means reasonable expenditures directly related to the Activities, incurred by the Recipient (which expenditures would not have been incurred absent the Project), including consumable materials and supplies;

communications; mass media and printing services; vehicle rental, operation and maintenance; charges for the opening and operation of bank accounts required for the Project; postage and handling; and travel, lodging and per diems; but excluding salaries of officials of the Recipient's civil service.

10. "MNRMEP" means the Ministry of Natural Resources, Minerals and Energy Policy and any successor thereto.
11. "NDAF" means the National Directorate of Administration and Finance under MNRMEP and any successor thereto.
12. "NDWEP" means the National Directorate for Water and Electricity Policy under MNRMEP and any successor thereto.
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 31, 2007, 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. "Resettlement Policy Framework" and the acronym "RPF" mean the resettlement policy framework dated May 2007 and duly adopted by the MNRMEP in respect of the Project, which sets out the resettlement measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said framework, as the same may be revised from time to time with the prior agreement of the Association.
16. "Training" means expenditures for the cost of training materials, facilities, course fees, travel and subsistence for trainees, all in connection with training.