

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H310-TP

Grant Agreement

(Education Sector Support Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 6, 2007

GRANT NUMBER H310-TP

GRANT AGREEMENT

AGREEMENT dated August 6, 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 three million nine hundred thirty-five thousand Special Drawing Rights (SDR 3,935,000) (“Grant”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Grant 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 Grant Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are April 1 and October 1 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 MoEC 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 Conditions of Effectiveness consist of the following:
- (a) the Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled; and
 - (b) a Project Operations Manual satisfactory to the Association has been adopted in accordance with the provisions of Section I, Part B of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement 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:

Ministry of Planning and Finance
Palacio do Governo
Edificio 5, 1. Andar
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

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 objective of the Project is to strengthen the capacity of MoEC in effective policy development, resource management, and innovation.

The Project consists of the following parts:

Part A. Capacity Building for Policy, Planning and Program Development

1. Developing sub-sector strategies for both secondary and tertiary education by:
 - (a) preparing policy advisory notes designed to provide decision makers with examples of good practice and viable options;
 - (b) conducting workshop activity linked to the 2009 AJR to ensure that the SP-UPC and the two (2) sub-sector strategies developed under the Project are consistent with each other, are expressed as a sector strategy, and are reflected in a sector-wide Medium Term Expenditure Framework (MTEF); and
 - (c) supporting the National Education Congress.
2. Continuing the monitoring and program improvement previously provided to the school grants program (SGP) by the Primary Education Support Project (TF056715-TP) through developing and disseminating tools and monitoring standards and procedures and providing training within MoEC on monitoring and evaluation.
3. Establishing a National Commission for Academic Assessment and Accreditation (NCAAA) to oversee the accreditation and licensing of all higher education institutions, both public and private.
4. Providing options for the focus, development and location of the national university by financing a study of the national university.
5. Strengthening procurement, financial management and contract management within MoEC through procurement and financial management specialists and specialized overseas training for key procurement and financial management staff to focus on internationally recognized standards.
6. Strengthening monitoring and evaluation through a Program Facilitator and a Monitoring & Evaluation (M&E) specialist to assist MoEC's Policy and Planning Directorate to develop and disseminate planning tools and monitoring standards and procedures, and to provide ministry-wide training in M&E.

7. Supporting sector performance review linked directly to the AJR process through the analysis of appropriate data prior to each AJR, supporting the AJR process in years 2 to 5, supporting MoEC's Measuring Learning Achievement program, and the development of an assessment of grade 6.

Part B. Provision of Learning Materials

1. Improving MoEC's outsourcing of the production of learning materials by:
 - (a) finalizing MoEC's textbook and learning materials policy;
 - (b) establishing a unit within MoEC to manage the preparation of specifications for teaching and learning materials;
 - (c) developing high quality learning materials, such as new editions of the children's magazine *Lafaek*, for primary and pre-secondary students that are closely linked to and supportive of the new primary curriculum, facilitate the introduction of textbooks and curricula and reflect good practice in language instruction; and
 - (d) conducting a study tour to neighboring countries for key MoEC staff to gain knowledge about the production of educational materials.

Part C. Construction/Rehabilitation Design and Quality Assurance

1. Ensuring the quality and cost-effectiveness of the Recipient-financed construction or rehabilitation of an estimated 2,100 classrooms over the course of the Project, through support to MoEC's Infrastructure Facilities Unit (IFU), including:
 - (a) consultant services;
 - (b) office equipment;
 - (c) operating costs;
 - (d) production and dissemination of construction and maintenance guidelines and building standards;
 - (e) stakeholder workshops; and
 - (f) building and maintaining a school mapping database.
2. Reviewing: (a) school site selection procedures and criteria to help MoEC ensure that new school construction and rehabilitation is responsive to prioritized needs, especially in respect to providing access to un-served and under-served areas; (b)

locations that merit multi-grade schools; (c) existing primary school dormitories to assess the possibility of expanding these as an option for further system expansion; and (d) kitchen needs at schools participating in the MoEC/World Food Program school feeding program.

Part D. Work Skills for Pre-Secondary Students

1. Addressing youth related concerns by providing skills development opportunities to students and by responding to the expanding labor market demand for employability, through the creation of a curriculum module for developing work skills and attributes via community enhancement projects, including through the provision of technical assistance, consultant services, kits for schools, workshops, and training.

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

1. Recipient shall maintain the AJR process as the primary vehicle for the review of and planning for MoEC's sector program.
2. Recipient shall appoint a Ministry-led Capacity Building Steering Group not later than one (1) month after the Effective Date, with terms of reference, staffing and other resources acceptable to the Association.
3. Annual Action Plan
 - (a) On an annual basis, Recipient shall prepare and furnish to the Association for its review and comment an Annual Action Plan (including a Procurement Plan for the upcoming finance year) no later than four (4) weeks prior to the AJR.
 - (b) Thereafter, MoEC shall carry out the Project in the following year in accordance with the Annual Action Plan, taking into account the Association's views thereon.
4. Recipient shall appoint a procurement specialist, a financial management specialist and a program facilitator not later than one (1) month after Effective Date.
5. Recipient shall appoint the lead advisor for work skills curriculum development activity not later than one (1) month after Effective Date.

B. Project Implementation.

1. The Recipient shall cause MoEC:
 - (a) to prepare, adopt, and apply a Project Operations Manual satisfactory to the Association, including: (i) a project overview; (ii) the responsibilities of the key MoEC staff for Project activities; (iii) an implementation plan; (iv) financial management procedures; (v) a procurement plan for FY 08 and procurement procedures; (vi) MoEC school construction and rehabilitation standards for Project activities; (vii) building codes for Project activities; (viii) terms of references for all long-term technical assistance as identified in the Procurement Plan and for the Education

Management Information System specialist and the text book policy and procurement specialists; and (ix) an Environmental Management Framework to manage the potential impacts from the proposed construction and rehabilitation of school buildings, including provision of water and sanitation services and safe disposal of construction wastes; and

- (b) not to amend, revise or waive the provisions of the Project Operations Manual, or any part thereof, without the prior concurrence of the Association.

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 semi-annual progress report (including all applicable M&E results) shall cover the period of six (6) months and shall be furnished to the Association not later than one (1) month before the AJR and not later than five (5) months after each AJR.
 - (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) MoEC staff with improved skills to effectively contribute to sector management and service delivery.
 - (ii) Enhanced quality learning materials for all primary and pre-secondary students and teachers.
 - (iii) Enhanced and expanded learning conditions through quality school facilities.
 - (iv) Improved work skills and attributes of pre-secondary school leavers.
2. 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 July 31, 2013.

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. 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.** All goods 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 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 Grant 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.

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which

may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>	
(a)	National Competitive Bidding in accordance with procedures specified in the Annex to this Schedule.
(b)	Direct Contracting.
(c)	Shopping.

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 under a Fixed Budget.
(c)	Least-Cost Selection.
(d)	Single-Source Selection.
(e)	Individual Consultant Selection.

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 Grant

A. General.

1. The Recipient may withdraw the proceeds of the Grant 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 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:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods and consultants’ services in respect of Part A, Part B (excluding Lafaek), and Part D	1,738,000	50%
(2) Goods and consultants’ services in respect of Part B (Lafaek only) and Part C	1,397,000	0% in FY 07-08 50% in FY 08-09 37.5% in FY 09-10 25% in FY 10-11 12.5% in FY 11-12
(3) Incremental Operating Costs	249,000	50%
(4) Training	131,000	50%
(5) Unallocated	420,000	
TOTAL AMOUNT	<u>3,935,000</u>	

- (a) “Incremental Operating Costs” means reasonable expenditures directly related to the Activities, incurred by the Recipient (which expenditures would not have been incurred absent the Activities), including the cost of consumable materials and supplies, communications and translations, mass media and printing services, rental of vehicles, warehouse space, and facilities, 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;

- (b) “Training” means expenditures for the reasonable cost of training materials, facilities, course fees, travel and subsistence for trainees all in connection with training and workshops, including study tours abroad, for the Project;
- (c) the “Lafaek” portion of Part B refers to the production of either: (i) new editions of the children’s magazine *Lafaek*; or (ii) similar educational materials; and
- (d) “FY” means MoEC’s fiscal year.

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 January 31, 2013.

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; 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 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.

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**Section I. Definitions**

1. “AJR” means the Annual Joint Review of the full education program of Timor-Leste conducted by MoEC in coordination with the donor partners. The AJR is the review of the sector program and is closely linked to the annual planning and budget process of the MoEC.
2. “AusAID” means the Australian Agency for International Development, an agency of the Australian Government, or any successor or successors thereto.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Co-financier” means AusAID.
5. “Co-financing” means an amount of six million United States Dollars (\$6,000,000), to be provided by the Co-financier to assist in financing the Project.
6. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Association (acting as administrator of grant funds provided by AusAID) providing for the Co-financing.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
8. “USD” and “\$” mean United States Dollar.
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
10. “MoEC” means the Timor-Leste Ministry of Education and Culture, or any successor or successors thereto.
11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 2, 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.
13. “SP-UPC” means the 2006 Strategic Plan for Universal Primary Completion.

