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LOAN NUMBER 3021-TIM(SF)

LOAN AGREEMENT  
(Special Operations)

(Road Network Upgrading Sector Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

ASIAN DEVELOPMENT BANK

DATED 18 NOVEMBER 2013

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TIM 46260

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 18 November 2013 between the DEMOCRATIC REPUBLIC OF TIMOR-LESTE ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to the Ordinary Operations Loan Agreement (as defined below);

(B) by an agreement of even date herewith, entered between ADB and the Borrower ("Ordinary Operations Loan Agreement"), ADB has agreed to provide to the Borrower a loan from ADB's ordinary capital resources in the amount of forty million Dollars (\$40,000,000) for the purposes of the Project; and

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever in this Loan Agreement, the several terms defined in the Loan Regulations, and in Section 1.02 of the Ordinary Operations Loan Agreement, have the respective meanings therein set forth unless modified herein or the context otherwise requires.

**ARTICLE II**

**The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to six million six hundred seventy two thousand Special Drawing Rights (SDR6,672,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Ordinary Operations Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works, and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

- (b) Goods, Works, and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Ordinary Operations Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

**ARTICLE V****Effectiveness**

Section 5.01. The following is specified as an additional condition for the purpose of Section 9.01(f) of the Loan Regulations: The Ordinary Operations Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

**ARTICLE VI****Miscellaneous**

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

**For the Borrower**

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

Facsimile Number:

+670 332-1339.

**For ADB**

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

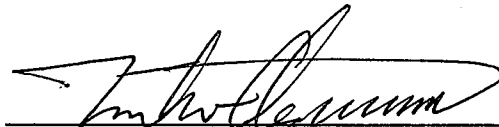
(632) 636-2444  
(632) 636-2446.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By   
EMILIA PIRES  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By   
NORIKO OGAWA  
Deputy Director General  
Pacific Department

**SCHEDULE 1****Amortization Schedule****(Road Network Upgrading Sector Project)**

<u>DATE</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights) *
15 April 2019	166,800
15 October 2019	166,800
15 April 2020	166,800
15 October 2020	166,800
15 April 2021	166,800
15 October 2021	166,800
15 April 2022	166,800
15 October 2022	166,800
15 April 2023	166,800
15 October 2023	166,800
15 April 2024	166,800
15 October 2024	166,800
15 April 2025	166,800
15 October 2025	166,800
15 April 2026	166,800
15 October 2026	166,800
15 April 2027	166,800
15 October 2027	166,800
15 April 2028	166,800
15 October 2028	166,800
15 April 2029	166,800
15 October 2029	166,800
15 April 2030	166,800
15 October 2030	166,800
15 April 2031	166,800
15 October 2031	166,800
15 April 2032	166,800
15 October 2032	166,800
15 April 2033	166,800
15 October 2033	166,800
15 April 2034	166,800
15 October 2034	166,800
15 April 2035	166,800
15 October 2035	166,800
15 April 2036	166,800
15 October 2036	166,800

<u>DATE</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights) *
15 April 2037	166,800
15 October 2037	166,800
15 April 2038	166,800
15 October 2038	<u>166,800</u>
<b>TOTAL</b>	<b>6,672,000</b>

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\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.



## SCHEDULE 2

### Allocation and Withdrawal of Loan Proceeds

#### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

#### Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

#### Interest Charge

3. The amount allocated to Category 3 is for financing the interest charge on the Loan during the implementation period of the Project.

#### Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

#### Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Road Network Upgrading Sector Project)</b>				
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR)</b>		<b>Percentage and Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Consulting Services	5,611,000		
1A	Project Management		534,000	100% of total expenditure claimed
1B	Design and Supervision		4,543,000	93.8% of total expenditure claimed
1C	Public Transport and Road Safety Action Plan		534,000	100% of total expenditure claimed
2	Equipment	267,000		100% of total expenditure claimed
3	Interest Charge	207,000		100% of amounts due
4	Unallocated	587,000		
	<b>Total</b>	<b>6,672,000</b>		