

OFFICIAL
DOCUMENTS

LOAN NUMBER 8290-TL

Loan Agreement

(Additional Financing for the Road Climate Resilience Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated *18 November*, 2013

LOAN AGREEMENT

AGREEMENT dated 18 November, 2013, between DEMOCRATIC REPUBLIC OF TIMOR-LESTE (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of fifteen million dollars (\$15,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Minister of Finance or its Vice-Minister of Finance.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread ; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are March 15 and September 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through CAFI and MPW in accordance with the provisions of Article V of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower 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, namely, that the Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Minister of Finance.
- 5.02. The Borrower's Address is:

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

Facsimile:
+670-332-13-39

- 5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

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

DEMOCRATIC REPUBLIC OF TIMOR - LESTE

By



Authorized Representative

Name: EMILIA PIREZ

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: FRANZ R. DREES-GROSS

Title: COUNTRY DIRECTOR, EACNF

SCHEDULE 1

Project Description

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

The Project consists of the following parts:

Part 1: **Development of Climate Resilient Road Infrastructure**

- A. Carrying out of civil works 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; and (c) upgrading of the Dili-Ainaro Road Corridor.
- B. Design and supervision of activities in Part 1.A. of the Project.

Part 2: **Climate Responsive Maintenance and Emergency Planning and Response Systems**

- A. Design of emergency planning and response systems.
- B. Routine and emergency maintenance on the Dili-Ainaro Road Corridor.

Part 3: **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 Parts 1 and 2 of the Project, as well as the hiring of an independent monitor for supervision of the implementation of the Resettlement Framework and any Resettlement Action Plans.

Part 4: **Feasibility Studies and Detailed Design**

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

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Borrower shall vest in CAFI the execution and overall oversight of the Project and in MPW the implementation and day-to-day management of the Project. To that end, the Borrower shall ensure that MPW, under the authority of CAFI:

1. through the PMU: (a) carries out the day-to-day implementation of the Project; (b) examines and certifies work conducted by all consultants and contractors financed under the proceeds of the Loan, and submits withdrawal applications with all necessary supporting documentation to the Borrower's Ministry of Finance; and (c) is in charge of effecting and monitoring compliance with the Environmental Management Plan, the Resettlement Framework and any Resettlement Action Plans;
2. maintains within its structure, throughout the period of implementation of the Project: (a) the PMU, headed by a Project manager and staffed with key professionals, including, *inter alia*, a chief technical advisor, road maintenance advisor, road maintenance engineer, and financial administrator, as well as new staff consisting of a part-time international procurement advisor, a local procurement and financial management officer, and a Project coordinator, all such new staff to be competitively selected and appointed, and with experience, qualifications, functions, and terms of reference satisfactory to the Bank, said PMU to be responsible for supporting MPW's day-to-day implementation of the Project, including procurement and financial management; and (b) its directorate in charge of roads, bridges, and flood control, responsible for assisting in the implementation of the Project; and
3. the Borrower shall maintain its National Development Agency, throughout the period of implementation of the Project, to oversee and monitor all aspects of the Project implementation and advise the Borrower of any issues or concerns affecting the Project implementation, and propose and facilitate the implementation of any necessary or desirable remedial action.

B. Project Operational Manual.

The Borrower shall ensure that the MPW maintains the revised Project Operational Manual, satisfactory to the Bank, consisting in various schedules setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:

- (i) the detailed description of the implementation activities under Parts 1, 2, 3 and 4 of the Project, their sequencing and the respective timetable and benchmarks in relation thereto;
- (ii) the administrative, accounting, auditing, reporting, financial management, procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto, including Standard Bidding Documents for the procurement methods set forth in the Procurement Plan and the final form of the interim unaudited financial reports and Financial Statements for the Project and the terms of reference for the financial audits of the Project;
- (iii) the Environmental Management Plan and the Resettlement Framework; and
- (iv) the plan for the monitoring and supervision of the Project including the result framework (including the performance indicators) and all environmental, economic and social aspects in relation thereto.

C. Anti-Corruption.

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

D. Safeguards.

1. The Borrower shall carry out the Project in accordance with the Environmental Management Plan and the Resettlement Framework, and any Resettlement Action Plans.
2. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated, or waived, any provision of the Environmental Management Plan, the Resettlement Framework, or any Resettlement Action Plan.
3. Whenever required pursuant to the terms of the Resettlement Framework, the Borrower shall, for the purposes of the Project, and prior to the implementation of any civil works required for the Project and to be financed out of the proceeds of the Financing, proceed to have a Resettlement Action Plan:
 - (a) prepared in form and substance satisfactory to the Bank;
 - (b) except as otherwise agreed with the Bank in writing, submitted to the Bank for its review and approval; and
 - (c) thereafter, adopted and locally disclosed, as well as retain the services of a qualified independent monitor acceptable to the Bank, under terms of reference satisfactory to the Bank, for supervision of the implementation of the Resettlement Framework and the relevant Resettlement Action Plans.

4. The Borrower shall ensure that each contract for civil works required for the Project and to be financed out of the proceeds of the Loan includes the obligation of the relevant contractor to implement the Environmental Management Plan, the Resettlement Framework, and any Resettlement Action Plans.
5. (a) The Borrower shall take all necessary measures to avoid or minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, assets, or access to assets, or loss of income sources or means of livelihood, temporarily or permanently, at or near the Dili-Ainaro Road Corridor, and (b) in the event that Project activities nevertheless give rise to Affected Persons at or near the Dili-Ainaro Road Corridor, then prior to the commencement of any such activities, prepare, and cause to be prepared, a Resettlement Action Plan, acceptable to the Bank, in accordance with the guidelines and procedures set forth in the Resettlement Framework, and thereafter implement said Resettlement Action Plan as approved by the Bank.
6. Without limitation to the provisions of Section II.A of this Schedule 2, the Borrower shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Environmental Management Plan, the Resettlement Framework, and any Resettlement Action Plans, giving details of:
 - (a) measures taken in furtherance of the Safeguards Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions.
7. The Borrower shall finance exclusively out of its own resources all land acquisition required for the purposes of carrying out works under the Project, and provide, promptly as needed, the resources needed for this purpose.
8. In the event of a conflict between the provisions of any of the Environmental Management Plan, the Resettlement Framework, and any Resettlement Action Plan, and those of this Agreement, this Agreement shall prevail.

E. Additional Implementation Arrangements.

The Borrower shall ensure that Project supervision activities are carried out by an independent design and supervision consultant acceptable to the Bank, selected under the Project in accordance with the provisions of Section III of this Schedule 2, and under terms of reference agreed with the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank as set forth in the Project Operational

Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank 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 Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan 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 Loan 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 Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in

the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2; (b) Shopping; (c) Direct Contracting; (d) Community Participation procedures which have been found acceptable to the Bank; and (e) Performance Based Procurement.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank 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 Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Works under Parts 1 and 2 of the Project	13,262,500	40%
(2) Goods, consultants' services, non-consulting services, Incremental Operating Costs and Training for Parts 1, 2, 3 and 4 of the Project	1,000,000	100%
(3) Front-end Fee	37,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium		Amount due pursuant to Section 2.07(c) of this Agreement
(5) Interest on the Loan accrued on or before one day prior to the date of the last payment date immediately preceding the Closing Date	700,000	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (c) of the General Conditions
TOTAL AMOUNT	15,000,000	

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 \$3,000,000 equivalent may be made for payments made twelve months prior to this date, for Eligible Expenditures under Category (2).
2. The Closing Date is December 31, 2018.

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 Bank's Procurement Guidelines; accordingly, no bidder or potential bidder should be declared ineligible for contracts financed by the Bank for reasons other than the ones provided by Section I of the Guidelines.

2. 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.

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

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

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each March 15 and September 15 Beginning March 15, 2022 through September 15, 2040	2.56%
and including March 15, 2041	2.72%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Section I. Definitions

1. “Affected Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Affected Persons” means, collectively, all such Affected Persons.
2. “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 and revised in January 2011.
3. “CAFI” means *Conselho de Administração do Fundo das Infra-Estruturas*, the Borrower’s Administrative Council of the Infrastructure Fund, as established and operating under the Borrower’s Decree-Law No 8/2011 dated March 14, 2011.
4. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
6. “Dili-Ainaro Road Corridor” means one of the Borrower’s main artery and most vital land transport link in the country.
7. “Environmental Management Plan” means the plan, satisfactory to the Bank, developed by the Borrower for the Project and publicly disclosed on March 17, 2011 on the website www.mof.gov.tl and available to the public for consultation at the premises of MPW, 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 Bank, and such term includes any annexes or schedules to such plan.
8. “Financing Agreement” means the agreement between the Borrower and the Association for the Project, of the same date as this Agreement; as such agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.

9. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
10. "Incremental Operating Costs" means in respect of Category 2 in the table of Section IV. A. 2 of Schedule 2 to this Agreement, incremental expenses incurred by the MPW on account of the Project implementation support and management and reasonably related thereto, including office rental, communications, utilities, stationary, domestic travel costs and per diem, maintenance of vehicles and equipment funded by the proceeds of the Loan, but excluding salaries, fees and honoraria of the Borrowers' civil servants.
11. "Original Financing Agreement" means the financing agreement for a twelve million seven hundred thousand Special Drawing Rights (SDR 12,700,000) Project between the Borrower and the Association, dated July 6, 2011, as amended to the date of this Agreement (Grant No H683-TP).
12. "Original Project" means the Project described in the Original Financing Agreement.
13. "MPW" means the Borrower's Ministry of Public Works or any successor thereto.
14. "National Development Agency" means the Borrower's national agency, established through decree No. 11 adopted in 2011, to monitor and assess implementation of all large national infrastructure projects, or any successor thereto.
15. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
16. "Procurement Plan" means the Borrower's procurement plan for the Project, dated June 24, 2013, 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.
17. "PMU" means the Project Management Unit maintained in the MPW pursuant to Section I.A.2 (a) of Schedule 2 to this Agreement.
18. "Project Operational Manual" means the revised manual to be prepared by the Borrower pursuant to Section I.B of Schedule 2 to this Agreement, setting forth procedures for implementation of the Project, as such manual may be amended from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to such manual.
19. "Resettlement Action Plan" means a resettlement plan, to be prepared by the Borrower in accordance with the guidelines and procedures set forth in the Resettlement Framework, satisfactory to the Bank, which sets forth the principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

20. “Resettlement Framework” means the framework prepared by the Borrower for the Project, satisfactory to the Bank, and publicly disclosed on March 17, 2011 on the website www.mof.gov.tl and available to the public for consultation at the premises of MPW, which sets out (i) mitigation, enhancement, monitoring and institutional measures, including capacity building through training, to carry out the acquisition of land and related assets under the Project, (ii) compensation, resettlement, and rehabilitation of Affected Persons, and (iii) the preparation of Resettlement Action Plans during the implementation of the Project, as said framework may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such framework.
21. “Safeguard Instruments” means collectively, the Environmental Management Plan, the Resettlement Framework, and any or all Resettlement Action Plans.
22. “Training” means in respect of Category 2 in the table of Section IV. A. 2 of Schedule 2 to this Agreement, reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by training facilitators, course fees, workshops and travel study tours, training facility rentals, and training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under consultant and non-consultant services.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

The definition of the term “Conversion Date” in paragraph 20 of the Appendix to the General Conditions is modified to read:

“‘Conversion Date’ means, for a Conversion, the Execution Date or such other date as the Bank shall determine on which the Conversion enters into effect, as further specified in the Conversion Guidelines; provided that if the Loan Agreement provides for automatic Conversions into the Approved Currency upon withdrawal of amounts of the Loan, the Conversion Date shall be the date of withdrawal from the Loan Account of the amount in respect of which the Conversion has been requested.”