

OFFICIAL
DOCUMENTS

CREDIT NUMBER 5303-TL

Financing Agreement

(Additional Financing for the Road Climate Resilience Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *18 November*, 2013

FINANCING AGREEMENT

AGREEMENT dated *18 November*, 2013, entered into between the DEMOCRATIC REPUBLIC OF TIMOR-LESTE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 credit in an amount equivalent to twenty five million Dollars (\$25,000,000) (variously, "Credit" and "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. The Recipient'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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of

1%) per annum plus the Basis Adjustment; and (b) three-fourth of one percent (3/4 of 1%) per annum.

- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment; and (b) zero percent (0%) per annum.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through CAFI and MPW 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, namely, that the Loan 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.
- 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 (other than those providing for payment obligations) shall terminate is fifteen (15) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is its Minister of Finance.

5.02. The Recipient'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 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, Timor Leste as of the day and year first above written.

DEMOCRATIC REPUBLIC OF TIMOR - LESTE

By



Authorized Representative

Name: EMILIA PIRES

Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

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 Recipient 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 Recipient 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 Financing, and submits withdrawal applications with all necessary supporting documentation to the Recipient'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 Association, 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 Recipient 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 Recipient 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 Recipient shall ensure that MPW maintains the revised Project Operational Manual, satisfactory to the Association, 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 for the Project) and all environmental, economic and social aspects in relation thereto.

C. Anti-Corruption.

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 carry out the Project in accordance with the Environmental Management Plan and the Resettlement Framework, and any Resettlement Action Plans.
2. Except as the Association shall otherwise agree, the Recipient 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 Recipient 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 Association;

- (b) except as otherwise agreed with the Association in writing, submitted to the Association 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 Association, under terms of reference satisfactory to the Association, for supervision of the implementation of the Resettlement Framework and the relevant Resettlement Action Plans.
- 4. The Recipient shall ensure that each contract for civil works required for the Project and to be financed out of the proceeds of the Financing includes the obligation of the relevant contractor to implement the Environmental Management Plan, the Resettlement Framework, and any Resettlement Action Plans.
- 5. (a) The Recipient 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 Association, in accordance with the guidelines and procedures set forth in the Resettlement Framework, and thereafter implement said Resettlement Action Plan as approved by the Association.
- 6. Without limitation to the provisions of Section II.A of this Schedule 2, the Recipient shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, 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 Recipient 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 Recipient shall ensure that Project supervision activities are carried out by an independent design and supervision consultant acceptable to the Association, selected under the Project in accordance with the provisions of Section III of this Schedule 2, and under terms of reference agreed with the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 acceptable to the Association. Each Project Report shall cover the period of a 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.

B. Financial Management, Financial Reports and Audits

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

Section III. Procurement

A. General

1. **Goods, 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 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, 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Community Participation in Procurement
(b) Direct Contracting
(c) National Competitive Bidding (subject to the additional provisions set forth in the Annex to this Schedule 2.)
(d) Shopping
(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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Least-Cost Selection
(b) Procedures for the Selection of Individual Consultants pursuant to Section V of the Consultant Guidelines
(c) Quality-Based Selection
(d) Selection based on Consultants Qualifications
(e) Selection under a Fixed Budget
(f) Single Source Selection
(g) Sole Source Procedures for the Selection of Individual Consultants

C. 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 paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works under Parts 1 and 2 of the Project	19,500,000	40%
(2) Goods, consultants' services, non-consulting services, Incremental Operating Costs and Training for Parts 1, 2, 3 and 4 of the Project	5,500,000	100%
TOTAL AMOUNT	25,000,000	

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 USD1,000,000 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 Association's Procurement Guidelines; 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

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 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 Recipient 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 Financing shall include a provision requiring bidders, suppliers and contractors to 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.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing March 15, 2019 to and including September 15, 2028	1.65%
Commencing March 15, 2029 to and including September 15, 2038	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

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. “Basis Adjustment” means the Association’s standard basis adjustment for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
4. “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.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
7. “Dili-Ainaro Road Corridor” means one of the Recipient’s main artery and most vital land transport link in the country.
8. “Environmental Management Plan” means the plan, satisfactory to the Association, developed by the Recipient 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 Association, and such term includes any annexes or schedules to such plan.
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, 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 Financing, but excluding salaries, fees and honoraria of the Recipients’ civil servants.
 11. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
 12. “Original Financing Agreement” means the financing agreement for a twelve million seven hundred thousand Special Drawing Rights (SDR 12,700,000) Project between the Recipient and the Association, dated July 6, 2011 as amended to the date of this Agreement (Grant No H683-TP).
 13. “Original Project” means the Project described in the Original Financing Agreement.
 14. “MPW” means the Recipient’s Ministry of Public Works or any successor thereto.
 15. “National Development Agency” means the Recipient’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.
 16. “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” published by the Bank in January 2011.
 17. “Procurement Plan” means the Recipient’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.

18. "PMU" means the Project Management Unit maintained in the MPW pursuant to Section I.A.2 (i) of Schedule 2 to this Agreement.
19. "Project Operational Manual" means the revised manual to be prepared by the Recipient 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 Association, and such term includes any schedules or annexes to such manual.
20. "Resettlement Action Plan" means a resettlement plan, to be prepared by the Recipient in accordance with the guidelines and procedures set forth in the Resettlement Framework, satisfactory to the Association, 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 Association, and such term includes any annexes or schedules to such plan.
21. "Resettlement Framework" means the framework prepared by the Recipient for the Project, satisfactory to the Association, 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 Association, and such term includes any annexes or schedules to such framework.
22. "Safeguard Instruments" means collectively, the Environmental Management Plan, the Resettlement Framework, and any or all Resettlement Action Plans.
23. "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:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

- (a) *Service Charge*. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
- (b) *Interest Charge*. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).