Financing Agreement

(Timor-Leste Branch Roads Project)

between

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
CREDIT NUMBER 6488-TL

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the 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) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to forty-two million five hundred thousand Special Drawing Rights (SDR 42,500,000) (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 III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.
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 its Ministry of Public Works in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01 The Additional Conditions of Effectiveness consist of the following, namely:

(a) That the Project Management Unit (PMU) has been duly established and adequately staffed as per Section I.A.3 of Schedule 2 to this Agreement.

(b) That the Project Operations Manual has been prepared as per Section I.B. of Schedule 2 to this Agreement.

4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

4.03 For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister of Finance.

5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Finance
Aitarak Laran Dili
Timor-Leste
Facsimile: +670-332-13-39

5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Association’s Electronic Address is:
Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By

Authorized Representative

Name: SARA LOBO NAJIES
Title: INTERIM MINISTER OF FINANCE
Date: DECEMBER 30, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: PEDRO MARTINS
Title: SENIOR ECONOMIST
Date: DECEMBER 12, 2019
SCHEDULE 1

Project Description

The objective of the Project is to improve road access, safety, and climate resilience on the Gleno–Maubisse Corridor and, in the event of an Eligible Crisis or Emergency, to provide an immediate response to the Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1. Gleno–Maubisse Corridor Upgrading and Road Safety Improvements

1.1 Upgrading to national roads standards, incorporating climate resilient and urban safety considerations; maintenance, and supervision of:

a. Letefoho–Hatubuilico Junction road section (18.5 km)
b. Gleno–Letefoho road section (25.8 km) (including updating the Gleno–Letefoho engineering design and associated safeguards documents).

1.2 Carrying out road safety improvements on selected national roads other than on the Gleno–Maubisse Corridor roads.

Part 2. Institutional Strengthening and Project Management

2.1 Providing technical assistance to support the Recipient’s transport sector development including on:

a. network data collection on national and district roads;
b. piloting long-term performance-based maintenance contracts;
c. MPW supervision, road safety and geotechnical capacity building; and
d. MPW and related entities’ staff training and capacity building.

2.2 Assessing the feasibility and design of the second phase of the Gleno–Maubisse Corridor, consisting of: (a) the Hatubuilico Junction–Hatubuilico town section (5.2 km); (b) the Humboe junction–Ermera town section (4.8 km); and (c) other selected road sections, as agreed with the Recipient.

2.3 Providing Project implementation support, including yearly audits, and Project monitoring and evaluation.

Part 3. Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I.  Implementation Arrangements

A.  Institutional Arrangements

1.  The Recipient shall vest in CAFI the overall oversight of the Project.

2.  The Ministry of Public Works, through the PMU:
   (a) shall carry out the day-to-day implementation of the Project, including procurement, safeguards and financial management. The PMU shall assist the National Procurement Commission with the preparation of bidding documents for civil works and terms of reference for consultants’ services;
   (b) shall examine and certify the work conducted by all consultants and contractors financed with the proceeds of the Financing, and shall submit withdrawal applications with all necessary supporting documentation to the Recipient’s Ministry of Finance for further processing; and
   (c) shall give effect and monitor compliance with the Safeguard Instruments.

3.  The Recipient shall ensure that the PMU is adequately staffed and funded throughout the implementation of the Project. To that effect, the Recipient shall staff the PMU with key professional staff, including, *inter alia*, a Project Manager, Chief Technical Advisor, World Bank Project Officer, Environment Specialist, Social Development/Resettlement Specialist, Gender Specialist, Financial Management Specialist, all of whom shall be competitively selected and appointed, and with experience, qualifications, and terms of reference satisfactory to the Association.

B.  Project Operations Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operations Manual acceptable to the Association (provided, however, that in the case of any conflict between the arrangements and procedures set out in the said manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree in writing, shall not amend, abrogate or waive any provision of the said manual.

C.  Annual Work Plan and Budgets

1.  The Recipient shall: (a) prepare and furnish to the Association by September 30 in each year - beginning in the Fiscal Year 2020 - a proposed Project’s consolidated annual work plan and budget for the following Fiscal Year; (b) taking into account the Association’s comments, finalize the plan and furnish it to the Association for its approval not later than November 30 in each year - beginning in the Fiscal Year 2020; and (c) adopt the plan as shall have been approved by the Association (Annual Work Plan and Budget) and thereafter ensure that the Project is carried out in accordance with each of such Annual Work Plan and Budget, in a manner satisfactory to the Association.
2. The Recipient shall not amend, suspend, abrogate or waive said Annual Work Plan and Budget or any of its provisions without the prior written agreement of the Association.

D. Safeguards

1. The Recipient shall ensure that the Project is carried out with due regard to appropriate health, safety, social, and environmental practices and standards, and in accordance with the Safeguard Instruments.

2. The Recipient shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Association Safeguards Policies and EHS Guidelines.

3. Except as the Association shall otherwise agree in writing, the Recipient shall ensure, and cause to ensure, that none of the provisions of the Safeguard Instruments be abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. Without limitation upon its other reporting obligations under this Agreement, 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, and promptly in a separate report whenever the Association may require, information on the status of compliance with the Safeguard Instruments. Such information shall include: (i) measures taken in furtherance of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Instruments; and (iii) remedial measures taken or required to be taken to address such conditions.

5. The Recipient shall maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

6. For each activity under the Project for which the ESIA, ESMP or a LARAP has been prepared by the Recipient, the Recipient shall take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESIA, ESMP or LARAP in a manner satisfactory to the Association.

7. The Recipient shall ensure that all measures are taken to implement the LARAP in a manner and timeframe satisfactory to the Association. To this end, the Recipient shall ensure that:

(a) funds are made available to cover all the costs of implementing the LARAP.
prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with resettlement assistant in accordance with the LARAP, as applicable; and

c) the implementation, monitoring and evaluation of such LARAP is completed and reported in a manner satisfactory to the Association.

8. The Recipient shall ensure that the obligation to comply with the relevant Safeguard Instruments are incorporated: (a) in the contracts between the Recipient and the relevant contractors and any entity (including any engineer) supervising the Project’s civil works; and (b) in the contracts between the relevant contractors and the contractors’ subcontractors, as may be applicable.

9. The Recipient shall ensure that all the bidding documents and contracts include the obligation of the relevant contractors and subcontractors to:

(a) adopt and implement measures to assess and manage the risks and impacts of labor influx and workers’ camps including occupational health and safety and gender-based violence; and

(b) adopt and enforce codes of conduct that should be provided to and signed by all workers; as applicable to such civil works commissioned or carried out pursuant to said contracts.

10. Without limitation upon its other reporting obligations under this Section I, the Recipient shall:

(a) promptly furnish to the Association a copy of each quarterly progress report prepared and submitted by any entity (including any engineer) supervising the Project’s civil works, the Project’s contractors and/or subcontractors; and

(b) promptly upon receipt, the Recipient shall furnish to the Association any notification received from any entity (including any engineer) supervising the Project’s civil works, the Project’s contractors and/or subcontractors regarding any incident that have might occurred during Project implementation.

E. Contingent Emergency Response

1. To ensure the proper implementation of contingent emergency response activities under Part 3 of the Project (“Emergency Response Part”), the Recipient shall: not later than six (6) months after Effective Date prepare and furnish to the Association for its review and approval, a Contingent Emergency Response Component Project Operations Manual (“CERC POM”) which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any special institutional arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for Emergency Response Part; (v) documentation required for withdrawals of Emergency
Expenditures; (vi) the Contingent Emergency Response Component Environmental and Social Management Framework; (vii) the application of any relevant Safeguards Instruments to the Emergency Response Part; and (viii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

2. The Recipient shall not undertake any activity under the Emergency Response Part, unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(b) the Recipient has ensured the preparation and disclosure of all safeguards instruments as may be required for said activities in accordance with the provisions of Section I.E of this Schedule 2 and the CERC POM, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments;

(c) the Recipient has ensured that the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of the CERC POM, for the purposes of said activities; and

(d) the Recipient has maintained the CERC POM, in form and substance acceptable to the Association, and the provisions of the CERC POM remain, or have been updated in accordance with the provisions of this Section I.F to be, appropriate for the inclusion and implementation of the Emergency Response Part.

3. The Recipient shall ensure that the Emergency Response Part is carried out in accordance with the CERC POM; provided, however, that in the event of any inconsistency between the provisions of the CERC POM and this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall not amend, suspend, abrogate, repeal or waive any provision of the CERC POM without prior written approval by the Association.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient shall furnish to the Association each Project Report not later than one (1) month after the end of each calendar quarter, covering the calendar semester.

2. Mid-Term Review

The Recipient shall carry out, jointly with the Association not later than three (3) years after the Effective Date or such other date as may be agreed with the Association, a mid-term review of the Project (the "Mid-Term Review") to assess the status of Project implementation, as measured against Project indicators set forth in the Project Operational Manual. Such review shall include an assessment of: (i) the progress in implementation; (ii) the results of monitoring and evaluation activities; (iii) the progress on procurement and disbursement; (iv) compliance with safeguard requirements; (v) adequacy of implementation arrangements; and (vi) the need to make any adjustments to the Project to improve performance.
Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works under Part 1.1 of the Project</td>
<td>35,000,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Works under Part 1.2 of the Project; Goods, non-consulting services, consulting services, Training and Workshops, Operating Costs for Parts 1 and 2 of the Project</td>
<td>7,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Emergency Expenditures for Part 3 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>42,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date.

   (b) for Emergency Expenditures under Category (3), unless and until the Association is satisfied that all the following conditions have been met in respect of said expenditures:

       (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

       (ii) the Recipient has ensured that all Safeguards Instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Sections I.D and I.E of Schedule 2 to this Agreement;
(iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.E of Schedule 2 to this Agreement, for the purposes of said activities; and

(iv) the Recipient has adopted the CERC POM, in form and substance acceptable to the Association, and the provisions of the CERC POM remain, or have been updated in accordance with the provisions of Section I.E of Schedule 2 to this Agreement to be appropriate for the inclusion and implementation of the Emergency Response Part.

2. The Closing Date is December 31, 2025.
### SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing March 15, 2030 to and including September 15, 2039</td>
<td>1%</td>
</tr>
<tr>
<td>commencing March 15, 2040 to and including September 15, 2059</td>
<td>2%</td>
</tr>
</tbody>
</table>

* 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 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected Person” means a person or entity who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and, “Affected Persons”, means more than one such Affected Person.

2. “Annual Work Plan and Budget” means each annual work plan and budget (including related cash forecasts) for the implementation of the Project approved by the Association, referred to in Section I.C of Schedule 2 to this Agreement; and “Annual Work Plans and Budgets” means, collectively, all such plans and budgets.

3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.

4. “CAFÍ” means Conselho de Administração do Fundo das Infra-Estruturas, the Recipient’s Administrative Council of the Infrastructure Fund, as established and operating under the Recipient’s Decree-Law No 8/2011 dated March 14, 2011.

5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

6. “Contingent Emergency Response Component Environmental and Social Management Framework” means the Recipient’s framework, to be prepared and adopted by the Recipient, satisfactory to the Association, and disclosed in-country and on the Association’s website, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Emergency Response Part activities including impacts on natural habitat, forests, and physical cultural resources, pest management, and risks of gender-based violence and sexual exploitation and abuse and the measures to be taken to offset, reduce or mitigate such adverse impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

7. “Contingent Emergency Response Component Project Operations Manual” or its acronym “CERC POM” means the manual referred to in Section I.E.1 of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part in accordance with the provisions of said Section.


9. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
10. “Emergency Expenditure” means any of the eligible expenditures set forth in the CERC POM in accordance with the provisions of Section I.E of Schedule 2 to this Agreement and required for the Emergency Response Part.

11. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 3 of the Project.

12. “Environmental and Social Impact Assessment” or “ESIA” means the Simplified Environmental Impact Statement document prepared and adopted by the Recipient dated May 2019, disclosed in-country on July 3, 2019 and on the Association’s website on June 28, 2019 setting out details of potential environmental and social risks, including risks of gender-based violence and sexual exploitation and abuse, and adverse impacts associated with any Project activities, together with an environmental and social management plan defining measures to manage such risks and impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, and including any schedules to such assessment, and as such assessment may be amended by the Recipient from time to time, with the prior written approval of the Association.

13. “Environmental and Social Management Plan” or “ESMP” means the Environmental Management Plan prepared and adopted by the Recipient dated May 2019, disclosed in-country on July 3, 2019 and on the Association’s website on June 28, 2019, which details (a) the measures to be taken during the implementation of the Project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; (b) the measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; (c) the procedural, budget and institutional arrangements and actions needed to implement these measures, including any schedules to such plan, and as such plan may be amended by the Recipient from time to time, with the prior written approval of the Association.

14. “Fiscal Year” means the Recipient’s fiscal year, which commences on January 1 and closes on December 31 of each year.


16. “Gleno–Maubisse Corridor” means the part of Recipient’s main road network which starts at the city of Gleno, passes through the towns of Ermera, Letefoho, Hatubuilo, and Aituto, and ends at the town of Maubisse, with a total length of 66.1 km.

17. “Land Acquisition and Resettlement Action Plan” or “LARAP” means any land acquisition and resettlement action plan or abbreviated land acquisition and resettlement action plan prepared and adopted by the Recipient dated May 2019, and disclosed in-country on July 3, 2019 and on the Association’s website on June 28, 2019, which includes the principles, procedures, organizational arrangements and budget to implement the resettlement related activities under the Project, or under Parts of the Project, as said land acquisition and resettlement action plan or abbreviated land acquisition and resettlement action plan may be revised from time to time with the prior written agreement of the Association; and “LARAPs” means, collectively, all such LARAP.
18. “MPW” means the Recipient’s Ministry of Public Works or any successor thereto.

19. “National Procurement Commission” or “NPC” means the Recipient’s procurement body which provides procurement services to line ministries in major infrastructure projects.

20. “Operating Costs” means incremental expenses incurred by the MPW on account of the Project implementation support and management and reasonably related thereto, including bank charges, advertising expenses, 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.


22. “PMU” means the Project Management Unit maintained in the MPW responsible for day to day management including project monitoring, reporting, safeguards assessments and monitoring system of externally funded road projects.

23. “Project Operations Manual” means the 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.

24. Safeguard Instruments” means, collectively, the ESIA, ESMP, LARAP, and “Safeguard Instrument” means any of such Safeguards Instruments.

25. “Safeguard Policies” means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Association, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement); OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) they can be found at https://policies.worldbank.org.

26. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

27. “Training and Workshops” means reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators, course fees, workshops and travel study tours, training facility rentals, and training material preparation, acquisition, reproduction and distribution expenses but excluding salaries, fees and honoraria of the Recipients’ civil servants.