

**Grant Agreement
Between
The Partnership for Transparency Fund, Inc.
And
Asociación para una Sociedad más Justa**

1. Asociación para una Sociedad más Justa (ASJ) has requested financial support of The Partnership for Transparency Fund, Inc. (PTF) to implement a program for promoting transparent, efficient and effective investment in education by leading social auditing of local educational centers, disseminating results and advocating for corrective action. Social auditing will focus on teacher presence, pay, qualifications. The program will be called "Capacity Building, Social Auditing, and Advocacy for a Stronger Educational System" and will commence on July 15, 2011.
2. ASJ has submitted the attached Project Proposal dated June 17, 2011, which includes background information on ASJ, an operational plan for the project, including the major implementation role to be played by Transformemos Honduras (TH), and a detailed breakdown of costs, as well as a copy of its 2010 external audit.
3. On the basis of this information, PTF has approved a grant of US\$35,000 (United States dollars 35,000) to be disbursed in three tranches, each for the purposes spelled out in the attached documents. The tranches will be disbursed as follows:
 - a) First tranche of \$15,000 (United States dollars 15,000) to be disbursed upon signature of this Grant Agreement.
 - b) Second tranche of \$15,000 (United States dollars 15,000) to be disbursed upon receipt by PTF, in form and substance reasonably satisfactory to PTF, of [1] a statement of expenditure, certified by the chief financial officer of ASJ, showing the itemized use made of the first tranche funds, and [2] a brief report on progress made in the implementation of the project showing that adequate progress towards achieving the project objectives has been made.
 - c) Third tranche of \$5,000 (United States dollars 5,000) to be disbursed on receipt from ASJ of a satisfactory project completion report that describes and assesses the project achievements, including an assessment of the project's impact and a final statement of project expenditures, certified by the chief financial officer of ASJ.
4. Transformemos Honduras and ASJ on their part commit to provide counterpart funding of \$12,500 (United States dollars 12,500), or its equivalent in local currency, to make up the balance of the \$47,500 (United States dollars 47,500) estimated total cost of the project, and any additional balances needed to complete the project.

5. The PTF grant will be made available to ASJ on the following conditions:
- a) The grant will be used only for the purposes described in the attached Project Proposal. Any material changes in the use of project funds or project design shall be made only with the prior agreement of the PTF.
 - b) If PTF finds that the its grant was not used/is not being used for the purposes or in the manner described in the Project Proposal or the conditions have changed such that the project is not likely to achieve its objectives, PTF has the right to cancel the remaining tranches of its grant. In case PTF finds that its grant funds were willfully misused by ASJ, PTF reserves the right to require the full refund of its grant.
 - c) Any funds disbursed by PTF remaining unutilized at the end of the project shall be returned by ASJ to the PTF.
 - d) ASJ shall keep a record of all expenditures incurred under the project and will provide PTF, in form and substance reasonably satisfactory to PTF, a full accounting of these expenditures, certified by the chief financial officer of ASJ, with relevant supporting documentation, [1] following expenditure of the first tranche funds, and [2] on completion of the project, but in any event no later than July 15, 2012.
 - e) ASJ shall provide PTF a copy of its audited financial statements for each year during the term of the grant hereunder, within 180 days of the end of each of its fiscal years. Such financial statements shall be accompanied by the auditor's certification, which shall be in form and substance reasonably satisfactory to PTF. Such audited accounts shall include in its notes or schedules a statement disclosing the PTF grant and the expenditures made there under during the relevant period.¹
 - f) PTF shall have the right, upon reasonable notice, to inspect (or to have its designated representatives inspect) the books and records of ASJ relating to the project and to the grant.
 - g) ASJ will make brief quarterly reports on the implementation of the project accompanied by a statement of expenditure showing the use of PTF funds and, on project completion, a full detailed final report summarizing the implementation of the project and its outcome and assessing the impact of the project on reducing corruption, its likely sustainability and the lessons learned, together with a certified final itemized statement of expenditure. The latter report will be sent within two months of the completion of the project, together with a copy of any other reports prepared under the project.

¹ In the case of grants of \$100,000 or more, these provisions are to be rewritten to require audited project accounts.

- h) Following project completion, the PTF may make its own independent ex post evaluation of the implementation, outcome and impact of the project. ASJ will furnish the person appointed to undertake this task all possible assistance and access to all relevant documents and personnel.
- i) ASJ will post this Grant Agreement, the Project Proposal, the Project Implementation Agreement with TH, the final project report, and the statement of expenditures on ASJ's website, and PTF shall have the right to post on its website such documents and any other reports received from ASJ or from its independent evaluation of the project.
- j) The Project Implementation Agreement between ASJ and TH will not be changed without the advance no-objection from PTF.

6. ASJ will be responsible for securing all necessary government approvals of the grant, if any, and any necessary government filings and will be responsible for paying any tax liability arising from the grant. ASJ shall compensate PTF in the event that PTF suffers any liability or expense as a result of ASJ's failure to obtain any such required approvals or to pay any such tax liability.

7. This Grant Agreement will become legally binding and effective when signed on behalf of ASJ and a copy of the signed Agreement is received as a .pdf email attachment addressed to Roger Sullivan, Secretary, PTF at rsullivan@ptfund.org. For all purposes the Grant Agreement shall be evidenced by .pdf copies of counterparts signed by PTF and, separately, ASJ and such counterparts shall be deemed to constitute one and the same instrument. Requests for subsequent tranche releases may be sent by email to the PTF Secretary at rsullivan@ptfund.org.

8. The responsible PTF Project Advisor in respect of this project is Willem Struben at wstruben@ptfund.org or such other Project Advisor as PTF may subsequently notify to ASJ. Such Project Advisor shall be ASJ's principal point of contact in respect of the project.

9. The responsible ASJ project director in respect of this project is Blanca Munguía at bmunguia.th@gmail.com or such other project director as ASJ may subsequently notify to PTF. Such project director shall be PTF's principal point of contact in respect of the project.

10. Each of PTF and ASJ represents and warrants, for the benefit of the other party, that:

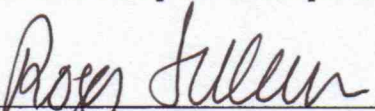
- a. it is a legal entity recognized under the laws of the jurisdiction of its formation or in which its principal activities are conducted; and
- b. this Grant Agreement constitutes its legal, valid and binding obligation, enforceable in accordance with its terms.



In addition, ASJ represents and warrants, for the benefit of PTF, that [1] the information set forth in the Project Proposal does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and [2] the making of the grant by PTF shall not subject PTF to any tax or require any governmental approval in the jurisdiction in which ASJ is organized and operates.

11. This Grant Agreement shall be governed by the laws of the District of Columbia in the United States of America, the jurisdiction in which PTF's principal executive offices are located. In the event of any dispute between the parties in respect of the Grant Agreement, the parties shall act in good faith to resolve such dispute through discussions and negotiation, and they may seek the assistance of a third party mediator to assist them in the resolution of such dispute. In the absence of a mutually acceptable resolution, such dispute shall be resolved by arbitration in accordance with the UNCITRAL Arbitration Rules in effect on the date of this Agreement. Any such arbitration shall be conducted in the English language before an impartial single arbitrator sitting in Washington, D.C., appointed by the American Arbitration Association as appointing authority.

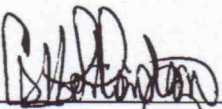
For
The Partnership for Transparency Fund, Inc.



Roger Sullivan
Secretary

Date: July 5, 2011

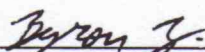
For
Asociación para una Sociedad más Justa



Carlos Hernandez
Legal Representative and Secretary of the Board of Directors

Date: June 28, 2011

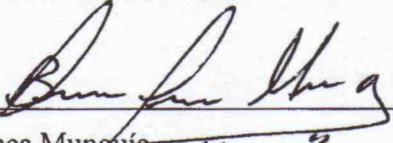
For
Asociación para una Sociedad más Justa



Byron Zuñiga
Coordinator of Project Monitoring

Date: June 28, 2011

For
Transformemos Honduras



Blanca Munguía
Coordinator

Date: June 28, 2011

Address for Notices:

Asociación para una Sociedad más Justa
Attention: Byron Zúniga
Residencial El Trapiche, 2da entrada, bloque B, casa 25
Tegucigalpa, Honduras, Central America
Email: bzuniga.asj@gmail.com

Attachments:

1. Project Proposal dated June 17, 2011
2. Project Implementation Agreement between ASJ and TH dated June 13, 2011
3. Letter from the Minister of Education June 21, 2011
4. External Audit of ASJ for 2010

