Grant Agreement  
between  
The Partnership for Transparency Fund, Inc.  
and  
Grupo FARO  

1. Fundación para el Avance de las Reformas y Oportunidades (Grupo FARO) has requested financial support of The Partnership for Transparency Fund, Inc. (PTF) to strengthen transparency and access to municipal information with a view to enhancing community participation in local government and reducing the opportunities for corruption. The program will be called Municipalidades Transparentes: Gestión de Sistemas de Información y Tecnologías Alternativas (Transparent Municipalities: Management of Information Systems and Alternative Technologies) and will commence on August 15, 2011 and conclude 12 months later.

2. Grupo FARO has submitted the attached Project Proposal received on June 30, 2011, which includes background information on Grupo FARO, an operational plan for the project, a detailed breakdown of costs, and cofinancing already approved by the National Endowment for Democracy (NED).

3. On the basis of this information, PTF has approved a grant of US$ 35,000 (United States dollars thirty-five thousand) 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 US$ 13,500 (United States dollars thirteen thousand five hundred) to be disbursed on signature of this Grant Agreement.

   b) Second tranche of US$ 18,000 (United States dollars eighteen thousand) 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 Grupo FARO, 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 the following activities have been completed satisfactorily:

      (i) Evaluation of the impact of the pilot of 2010 to improve information management in five municipalities. This will include an assessment of community needs, capabilities, and interest in local government information, as well as classifying municipalities by results and interest in improving transparency.

      (ii) Formulation of a work plan to develop tools and procedures to improve standards of municipal public information in response to local demand, implement these tools and procedures in at least one municipality, and carry
out a pilot for the two-way use of mobile texting between municipal officials and the public. And

(iii) Progress on strengthening public use of municipal information and monitoring standards of transparency.

c) Third tranche of US$ 3,500 (United States dollars three thousand five hundred) to be disbursed on receipt from Grupo FARO 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 Grupo FARO.

4. Grupo FARO on its part commits to provide counterpart funding of USD 27,400 (United States dollars twenty seven thousand four hundred), or its equivalent in local currency, and US$ 65,500 (United States dollars sixty five thousand five hundred) already committed by NED, to make up the balance of the US$ 127,900 (United States dollars one hundred twenty seven thousand nine hundred) estimated total cost of the project, and any additional balances that may be needed to complete the project.

5. The PTF grant will be made available to Grupo FARO 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 PTF.

   b) If PTF finds that the its grant was not used, or 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 Grupo FARO, 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 Grupo FARO to PTF.

   d) Grupo FARO 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 Grupo FARO, 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 October 15, 2012.

   e) Grupo FARO 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 thereunder during the relevant period.

f) PTF shall have the right, upon reasonable notice, to inspect (or to have its designated representatives inspect) the books and records of Grupo FARO relating to the project and to the grant.

g) Grupo FARO 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.

h) Following project completion, the PTF may make its own independent ex post evaluation of the implementation, outcome, and impact of the project. Grupo FARO will furnish the person appointed to undertake this task all possible assistance and access to all relevant documents and personnel.

i) Grupo FARO will post this Grant Agreement, the Project Proposal, the final project report, and the statement of expenditures on Grupo FARO's website, and PTF shall have the right to post on its website such documents and any other reports received from Grupo FARO or from its independent evaluation of the project.

6. Grupo FARO 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. Grupo FARO shall compensate PTF in the event that PTF suffers any liability or expense as a result of Grupo FARO'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 Grupo FARO and a copy of the signed Agreement is received as a .pdf email attachment addressed to Roger Sullivan, Secretary, PTF (rsullivan@ptfund.org). For all purposes the Grant Agreement shall be evidenced by pdf copies of counterparts signed by PTF and, separately, Grupo FARO 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 (rsullivan@ptfund.org).

8. The responsible PTF Project Advisor in respect of this project is Björn Wellenius (wellenius@ptfund.org) or such other Project Advisor as PTF may subsequently notify to
Grupo FARO. Such Project Advisor shall be Grupo FARO’s principal point of contact in respect of the project.

9. The responsible Grupo FARO project director in respect of this project is Mabel Andrade (mandrade@grupofaro.org) or such other project director as Grupo FARO 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 Grupo FARO 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, Grupo FARO 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 Grupo FARO 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.

Dated: August 9, 2011

For
The Partnership for Transparency Fund, Inc.

Roger Sullivan
Secretary
Dated: August 4th, 2011

For
Fundación para el Avance de las Reformas y Oportunidades

Orazio Bellettini
Executive Director

Address for Notices:
Grupo FARO
Attention: Mabel Andrade
Gregorio Bobadilla N38-88 y Granda Centeno, Quito, Ecuador
Email: mandrade@grupofaro.org

Attachments:
Project Proposal received June 30, 2011