H.E Emilia Pires  
Minister of Finance  
Ministry of Finance  
Palacio Do Governo  
Edificio 5,1.º Andar  
Dili, Democratic Republic of Timor-Leste

TIMOR-LESTE: IDF Grant for Building the Capacity of Procurement Institutions to Achieve Development Outcomes Project  
(IDF Grant No.TF 099233)

Excellency:

In response to the request for financial assistance made on behalf of the Democratic Republic of Timor-Leste (the Recipient), I am pleased to inform you that the International Bank for Reconstruction and Development (the Bank) proposes to extend to the Recipient, a grant from the World Bank’s Institutional Development Fund (IDF) in an amount not to exceed one hundred forty thousand United States Dollars (US$140,000) (the Grant) on the terms and conditions set forth or referred to in this letter agreement (the Agreement), which includes the attached Annex, to assist in the financing of the project described in the Annex (Project).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the
countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By/s Ferid Belhaj

Ferid Belhaj
Country Director
Timor-Leste, Papua New Guinea
and Pacific Islands
East Asia and Pacific Region

AGREEED:
DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By/s/ Emilia Pires

Name: Emilia Pires
Title: Minister of Finance
Date: 07 April, 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following terms shall have the following meanings:

National Procurement Directorate means a division of the Ministry of Finance responsible for implementing procurement policy, monitoring of implementation and capacity building of procurement practitioners.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to strengthen the procurement legal system, improve monitoring, and enhance the capacities of the National Procurement Directorate and procuring entities to improve procurement implementation. The Project consists of the following parts:

**Part A: Strengthening Procurement Legal and Regulatory Framework**

1. Provision of technical assistance in: (i) drafting of the procurement law rules and regulations; (ii) consultation with stakeholders; and (iii) formulation of an advocacy and communication plan.

2. Provision of knowledge and learning experiences to high ranking government officials through the conducting of a study tour to familiarize the officials with other countries systems.

**Part B: Development of Agency Procurement Performance and Compliance Indicators**

Provision of: (i) technical assistance in drafting and testing of procurement compliance and performance indicators in procuring entities; and (ii) computers to be used in piloting the indicators in entities.

**Part C: National Training Program Development**

1. Provision of technical assistance in conducting a training needs assessment to analyze the training needs of procurement practitioners to improve the implementation of procurement system.

2. Provision of technical assistance to develop a national training program based on the findings of the training needs assessment.

**Part D: Audit of the IDF Grant**

Conducting annual audits for the funds provided under this Grant Agreement.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Finance in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 ("Anti-Corruption Guidelines"); and (c) this Article II.
2.03. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) the draft national procurement law is submitted to parliament by September 14, 2011;

(ii) at least fifty percent (50%) of procuring entities are subjected to the procurement compliance and performance evaluation tool by March 25, 2014; and

(iii) a national training program is developed by November 22, 2013

(c) The Recipient shall, upon the World Bank’s request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five (5) months after the Closing Date.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one (1) month forty-five (45) days after the end of each semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall, have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.05. **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of 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 World Bank in January 2011 (“Procurement Guidelines”), in the case of goods; and


(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services.** Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
The following methods may be used for the procurement of consultants’ services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Selection based on Consultants’ Qualifications; (B) Single Source Selection; (C) Selection of Individual Consultants; and (D) Sole Source Selection.

(e) **Review by the World Bank of Procurement Decisions.** Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) the first contract for goods or non-consulting services procured under shopping procedures; (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $50,000 or more; and (c) each contract for consultant services provided by a firm procured through single source selection and by an individual procured through sole source selection, regardless of value. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>5,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td>101,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>34,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>140,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the terms “Training” means reasonable expenditures incurred by the Recipient in connection with the holding of training, workshops and study tours under the Project including the travel costs and per diem of trainees, and the rental of facilities and the production and/or acquisition and distribution of training materials; and

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is three (3) years after the date of countersignature of this Agreement by the Recipient.

**Article IV**
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Minister of Finance of the Recipient.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

    Facsimile: +670-332-13-39

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

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