Re: Amendment to Administration Agreement between the European Commission and the World Bank for the European Community Grants to the “Planning and Financial Management Capacity Building Program” Trust Fund in Timor-Leste (TF070932)

Dear Ambassador:


We also refer to the recent reform activities undertaken by the Recipient to reorganize the structure and functions of its former Ministry of Planning and Finance into the Ministry of Finance for the purpose of strengthening the capacity of its Ministry of Finance for prudent, effective and accountable planning and management of public finances to promote growth and poverty reduction.

In order to align the provisions of the Administration Agreement with the Recipient’s reform activities, we propose to amend the Administration Agreement as set forth below.
1. Section 1.03(a) is amended to read in its entirety as follows:

“(a) Facilitating the carrying out of activities covered by the Planning and Financial Management Capacity Building Program in Timor-Leste (IDA Grant H210-TP), as described in the Project Appraisal Document dated __________, 2006 and the Program Paper dated January 28, 2010, including inter alia: (i) Strengthening Capacity in the General Directorate of State Finances; (ii) Strengthening Capacity in the General Directorate of Revenue and Customs; (iii) Strengthening Capacity in the General Directorate of Policy Analysis and Research; (iv) Strengthening Capacity in the General Directorate of Corporate Services; and (v) Programme Implementation (executed by Timor-Leste).

2. Annex 1 (Description of Activities and Expenditures) to the Administration Agreement is amended to read in its entirety as the new Annex 1 attached to this letter.

Except as specifically amended in this letter, all terms and provisions of the Administration Agreement remain in full force and effect.

The foregoing amendment of Annex 1 is being proposed to all donors to the MDTF to be made in their respective trust fund administration agreements. Accordingly, the amendment shall become effective only upon receipt by the Association of the original letters of amendment, signed by all such donors, of their respective administration agreements.

Please confirm the Donor’s agreement to the foregoing amendment by countersigning and dating the confirmation set forth below, and returning one fully signed original to us for our files. One fully signed original should be retained by the Donor.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

s/ Robert Jauncey

Robert Jauncey
Acting Country Director
Timor-Leste, Papua New Guinea and the pacific Islands
East Asia and Pacific Region
AGREED:

EUROPEAN COMMUNITY, REPRESENTED BY THE
COMMISSION OF THE EUROPEAN COMMUNITIES

s/ Juan Carlos Rey Salgado

Name: Juan Carlos Rey Salgado  
Title: Ambassador, Head of Delegation  
Date: October 15, 2010
ANNEX 1

Description of Activities and Expenditures under the Multi-Donor Trust Fund for the Planning and Financial Management Capacity Building Project

1. Purposes and Objectives

The Multi-Donor Trust Fund is created to finance part of the Project, as agreed between the Donors and the Bank. The objective of the Project is to strengthen the capacity of the Recipient's Ministry of Finance for prudent, effective and accountable planning and management of public finances to promote growth and poverty reduction.

The Project will be implemented by the Ministry of Finance.

2. Use of Contribution Funds: Program and Activities to be financed

Proceeds from the Planning and Financial Management Capacity Building Program in Timor-Leste (IDA Grant H210-TP) (the "IDA Grant"), and the MDTF Grant, will be pooled in a Designated Account and the percentage of eligible expenditures to be financed by each grant will be determined from time to time as deemed necessary for the implementation of the Project. The Donors' Contributions allocated to this Multi-Donor Trust Fund will be used exclusively for the following purposes and activities:

(a) Facilitating the carrying out of activities covered by the Planning and Financial Management Capacity Building Program in Timor-Leste (IDA Grant H210-TP), as described in the Project Appraisal Document dated ____________, 2006 and the Program Paper dated January 28, 2010, and as reflected in this Annex 1, including inter alia: (i) Strengthening Capacity in the General Directorate of State Finances; (ii) Strengthening Capacity in the General Directorate of Revenue and Customs; (iii) Strengthening Capacity in the General Directorate of Policy Analysis and Research; (iv) Strengthening Capacity in the General Directorate of Corporate Services; and (v) Programme Implementation (executed by Timor-Leste).

(b) Carrying out of program administration.

(c) Carrying out operational research and technical assistance work aimed at improving the quality of supervision and providing recommendations in a variety of areas related to planning and financial management capacity building in Timor-Leste (executed by IDA). Expenses for operational work and technical assistance up to a maximum of US$1,095,000 may be charged to the Trust Fund.

3. Operating Procedures and Governance of the Trust Fund

(a) The Planning and Financial Management Capacity Building Program MDTF shall be managed by the Bank Task Team Leader in charge of the Program and may include operational staff from the East Asia and Pacific Region and from other technical units of the World Bank. The Bank-executed portion of the MDTF shall cover program administration and analytical and research work, policy notes and quality reports on program implementation; and the Recipient-executed portion of the MDTF shall, jointly with IDA, be used for financing the implementation of Program. The Bank TTL will manage the MDTF as well as lead the supervision missions and all the work related to the good performance of Bank-executed portion of the MDTF. The Bank supervision missions will take place at least twice a year, and as and when
needed. Aide-memoires will be prepared for each mission and they will be provided to the Minister of Finance of Timor-Leste or designate. These Aide-memoires will also be sent to the Donors contributing to the PFMCBP MDTF and shall serve as the reporting on performance of the Program.

(b) A Supervisory Committee shall be established and maintained to: (i) monitor broad strategic direction; (ii) monitor progress on revenue and expenditure policy/management; (iii) review the Annual Action Plans and Results Frameworks (including coordination of all advisers, and performance assessment of advisers); and (iv) promote harmonization amongst Donors under PFMCBP framework and policy dialogue.

(c) The Supervisory Committee shall meet at least twice yearly, with ad hoc meetings as and when needed. The Supervisory Committee will be chaired by the Minister of Finance. The members will include IDA and all Donors contributing to the PFMCBP MDTF.

(d) All Donors contributing to the PFMCBP MDTF shall be entitled to nominate experts for participation in the supervision missions.