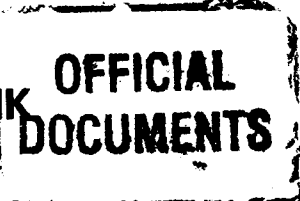




THE WORLD BANK
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November 17, 2014

H. E. Mariano Assanami Sabino
Minister of Agriculture
Ministry of Agriculture and Fisheries
Dili, Timor-Leste

Dear Sir,

***Democratic Republic of Timor-Leste: IDF Grant for Institutional Reform and Transformation of the
Ministry of Agriculture and Fisheries (MAF) Project
IDF Grant No. TF016487***

In response to the request for financial assistance made on behalf of the Democratic Republic of Timor-Leste ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank's Institutional Development Fund ("IDF") in an amount not to exceed four hundred ninety-eight thousand United States Dollars (U.S.\$498,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("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 specified by the World Bank in accordance with Section 4.04 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within thirty (30) days after the date of signature of this Agreement by the World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.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By Franz R. Drees-Gross

Franz R. Drees-Gross
Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands
East Asia and Pacific Region

Agreed:

**MINISTRY OF AGRICULTURE AND FISHERIES
DEMOCRATIC REPUBLIC OF TIMOR-LESTE**

By 
Authorized representative

Name: MARCOS DA CRUZ

Title: VICE MINISTER / INTERIM MINISTER

Date: 20 NOV. 2014

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

ANNEX

**Article I
Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“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:

- (a) “Disbursement Deadline Date” means the final date established by the World Bank for receipt of applications for withdrawal and supporting documentation, as set out in the Disbursement Letter.
- (b) “Indigenous Peoples” means social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production.
- (c) “Involuntary Resettlement” means the following caused on account of Project implementation: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; or (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected 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 the affected person.
- (d) “MAF” means the Recipient’s Ministry of Agriculture and Fisheries, and any successor thereto.
- (e) “MAFSP” means strategic plan 2014-2020 and to be updated pursuant to Part 2(a) of the Project.
- (f) “MIS” means management information system.
- (g) “Ministry of Finance” means the Recipient ministry responsible for finance, and any successor thereto.
- (h) “MTOP/MTIP” means MAF’s Medium Term Operations Plan, 2014-2018.
- (i) “OPPM” means MAF’s Office of Policy, Planning and Monitoring, and any successor thereto.
- (j) “Office of the Director General Corporate Service” means the Recipient’s office within MAF that will be responsible for oversight of the Project, and any successor thereto.
- (k) “Project Operations Manual” means the manual to be prepared by the Recipient pursuant to Section 2.03(d) of this Annex, 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 World Bank, and such term includes any schedules or annexes to such manual.

- (l) “Procurement Performance and Compliance Indicators” or “PPCI” means the set of indicators developed under the Building the Capacity of Procurement Institutions to Achieve Development Outcomes Project (IDF Grant No. TF099233) entered into an agreement dated March 28, 2011 between the Recipient and the World Bank.
- (m) “PIU” means the project implementation unit to be established pursuant to Section 2.03(b) of this Annex.
- (n) “Training and Workshops” means training and workshops reasonably required for the Project, based on the annual budgets approved by the World Bank, and attributable to seminars, workshops, and study tours, rental of training facilities, preparation and reproduction of training materials, travel and subsistence allowances for training participants, and other activities directly related to course preparation and implementation.
- (o) “World Bank’s Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.worldbank.org/opmanual.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to support MAF in its effort to de-concentrate and reorganize its service delivery model so that MAF is better-aligned and responsive to the needs of farmer and fisher communities. The Project consists of the following parts:

Part 1: Strengthening capacity to plan for the delivery of effective and efficient services

- (a) Development and piloting of operations manual(s) for community-based bottom-up participatory planning and priority setting; and
- (b) Development and piloting of a participatory monitoring of service delivery through a system of farmer feedback surveys.

Part 2: Strengthening MAF’s planning, programming, and service delivery capacity

- (a) Update of MAFSP and MTOP/MTIP; and
- (b) Design and piloting of a MIS that will monitor the progress of development programs.

Part 3: Strengthening procurement and financial management systems

- (a) Development of a change management plan to guide MAF’s restructuring; and
- (b) Update of MAF’s electronic procurement and financial management system and piloting, in coordination with the Ministry of Finance, of the Procurement Performance and Compliance Indicators.

Part 4: Strengthening MAF’s capacity to develop and manage major projects

- (a) Training of OPPM staff in the identification, preparation, and implementation of agricultural projects, and in the coordination of sectoral assistance from development partners; and
- (b) Training of OPPM staff in the identification and preparation of safeguards measures.

Part 5: Building capacity for project management

- (a) Support in establishment of a PIU, preparation of an annual work plan and budget, preparation of terms of reference for consultants to be hired during the Project, and assistance in hiring such consultants.
- (b) Preparation of a Project Operations Manual to guide Project implementation.

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 Agriculture and Fisheries 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. *Institutional and Other Arrangements.*

Institutional Arrangements.

- (a) The Recipient shall vest responsibility for oversight and coordination of the Project in the MAF Office of the Director General (DG) Corporate Service.
- (b) The Recipient shall establish, not later than four (4) months after the countersignature date of this Agreement, and thereafter maintain throughout the Project implementation period, a Project Implementation Unit (PIU) within OPPM’s planning and statistics department, to be responsible for overall implementation of the Project, such PIU to be led by the OPPM director and to include representatives from (i) OPPM; (ii) financial services division; (iii) the procurement service division; (iv) the district directorates where the Project will be piloted; and (v) the Office of the DG Corporate Service.
- (c) The Recipient shall, by not later than two (2) months after the countersignature date of this Agreement, hire an institutional management consultant to assist with the establishment of the PIU and the drafting of a Project Operations Manual.

Other Arrangements.

- (d) The Recipient shall, not later than four (4) months after the countersignature date of this Agreement prepare and adopt a Project Operations Manual, setting forth detailed guidelines and procedures for the implementation of the Project and safeguards measures, in form and substance acceptable to the World Bank, including the following:
 - (i) the administrative, accounting, auditing, reporting, financial management, procurement and disbursement procedures;

- (ii) the detailed steps and instructions on the integration of safeguards measures into the Project, including measures related to the environment, Indigenous Peoples and Involuntary Resettlement; and
 - (iii) the plan for the monitoring and supervision of the Project including the results framework (including the performance indicators) and all environmental, economic and social aspects in relation thereto.
- (e) The Recipient shall ensure that:
- (i) all terms of reference for any technical assistance, including the institutional development consultancies carried out under the Project are consistent with the World Bank's Safeguard Policies; and
 - (ii) in drafting any regulations, guidelines, or corporate procedures and carrying out capacity building activities under the Project, due attention is given to said policies.

2.04. ***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 indicators set forth in the Project Operations Manual. 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 forty-five (45) days after the date of such request.
- (b) 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.

2.05. 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 forty-five (45) days after the end of each calendar quarter, covering the quarter, 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. The first audit of the Financial Statements shall cover the period from date of the countersignature of this Agreement to December 31, 2015; and subsequent audits shall cover the period of one (1) fiscal year of the Recipient beginning on January 1, 2016. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. Procurement

- (a) General. All goods and consultants' 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" dated January 2011 and revised in July 2014 ("Procurement Guidelines"), in the case of goods and non-consulting services;
 - (ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014 ("Consultant Guidelines") in the case of consultants' services; and
 - (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").
- (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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
- (c) Particular Methods of Procurement of Goods. Goods 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.
- (ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (G) Selection of Individual Consultants; and (H) Single-source procedures for the Selection of Individual Consultants.
- (e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. 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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods and consultants' services, including for audits	387,000	100%
(2) Training and Workshops	111,000	100%
TOTAL AMOUNT	498,000	

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.

3.03. The Recipient's Representative for the purposes of taking any action required or permitted to be taken pursuant to Section 3.01 above is the Minister of Finance.

3.04. **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 Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied, namely that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.

4.02. As part of the evidence to be furnished pursuant to Section 4.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing that that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Recipient and is legally binding upon it in accordance with its terms.

4.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date sixty (60) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V Recipient's Representative; Addresses

5.01. **Recipient's Representative.** Except as provided in Section 3.03 of this Annex to the Agreement, the Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Agriculture and Fisheries.

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

Ministry of Agriculture and Fisheries
Rua Presidente Nicolao Lobato #5
Caixa Postal 408, Comoro
Dili, Democratic Republic of Timor-Leste

Telephone:

Email:

(+670) 333 12 50

gabinete.ministro@maf.gov.tl

5.03. **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:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or 1-202-477-6391
64145 (MCI)