



**THE
WORLD
BANK**

Nigel Roberts
Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands Operations
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January 18, 2008

Mr Bruce Davis
Director General
Australian Agency for International Development
GPO Box 887
Canberra ACT 2601
AUSTRALIA

Trust Fund Administration Agreement between the Commonwealth of Australia, through the Australian Agency for International Development, and the International Bank for Reconstruction and Development and the International Development Association concerning the Multi-Donor Trust Fund for the Health Sector Strategic Plan - Support Project in Timor Leste, (TFNo. 070953) (AusAID Agreement No. 44827).

Dear Mr Davis

We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") (collectively, the "Bank") the intention of the Commonwealth of Australia (the "Donor") to make available, as a grant, the sum of twenty three million Australian Dollars (AUD23,000,000) (the "Contribution") for the Health Sector Strategy Plan Support Project in Timor-Leste (the "Project"). Other donors are also expected to contribute to this trust fund on the terms and conditions specified in the Annexes to this Agreement.

The Contribution shall be used to finance the activities and the categories of expenditure set forth in the "Description of Activities and Expenditures under the Multi-Donor Trust Fund" attached hereto as Annex 1. Annex 1 constitutes an integral part of this Agreement.

The Contribution shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Agreement and the "Standard Provisions Applicable to the Multi-Donor Trust Fund" (the "Standard Provisions") attached hereto as Annex 2. The Standard Provisions constitute an integral part of this Agreement.

The Donor shall deposit the Contribution into the IBRD's Cash Account "T" maintained with (Account No.011-796208-042, Swift Bic Code: HKBAU2SXXX maintained with the HSBS Bank of Australia Ltd., Sydney promptly following countersignature of this Agreement by the Donor and submission of a payment request by the Bank in accordance with the following schedule:

- upon countersignature of this Agreement by the Donor and submission of a payment request by the Bank, AUD1,500,000;
- on May 8, 2008, upon submission of a payment request by the Bank, AUD2,000,000
- on September 8, 2008, upon submission of a payment request by the Bank, AUD3,000,000;
- on April 9, 2009, upon submission of a payment request by the Bank, AUD3,000,000.
- on September 9, 2009, upon submission of a payment request by the Bank, AUD3,000,000;
- on April 10, 2010, upon submission of a payment request by the Bank, AUD3,500,000;
- on September 9, 2010, upon submission of a payment request by the Bank, AUD3,500,000; and
- on April 10, 2011, upon submission of a payment request by the Bank, AUD3,500,000.

When making such deposit, the Donor shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF 070953 (Health Sector Strategy Plan Support Project in Timor Leste), and the date of the deposit. In addition, the Donor shall provide a copy of the Donor's deposit instruction to the Bank's Accounting Trust Funds Division by e-mail sent to tfremittadvice@worldbank.org or by fax sent to (202) 614-1315.

Immediately upon receipt of the Contribution funds, the Bank shall convert such funds into US Dollars.

The offices responsible for coordination of all matters related to the implementation of this Agreement are:

For the Bank:

Timothy A. Johnston
Senior Health Specialist
World Bank
Tel: 202-473 30600

For the Donor:

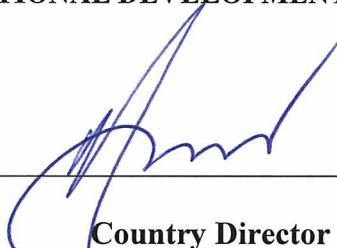
Colin Wiltshire
Policy/Program Officer
East Timor and Burma Section
Australian Agency for International Development
Tel: 61 2 206 4251

This Agreement may be amended only by written agreement between the Bank and the Donor; provided, however, that Annex 1 (Description of Activities and Expenditures) and Annex 2 (Standard Provisions) to this Agreement may only be amended with the agreement of all Donors contributing to this trust fund.

Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Bank of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION**



**Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands Operations
East Asia and Pacific Region**

AGREED:

**THE AUSTRALIAN AGENCY
FOR INTERNATIONAL DEVELOPMENT (AUSAID)**

By: B Davis

Name: B DAVIS

Title: DIRECTOR GENERAL

Date: 1/2/08

ANNEX 1**Description of Activities and Expenditures under the Multi-Donor Trust Fund for Health Sector Strategy Plan Support Project in Timor-Leste****1. The objective of the Project is to support Timor-Leste in the implementation of its Health Sector Strategy Plan (HSSP).**

The Project consists of the following parts:

Part A: Health Service Delivery

Provide support to Timor-Leste in the delivery of health services priorities identified in the HSSP, including: (a) implementation of the Basic Service Package for primary health care, including improved outreach services to remote areas; (b) strengthening community nutrition and health services; (c) improving district level planning and management capacity to support service delivery; (d) improving hospital care and the referral system; and (e) assuring quality of care throughout the health system, including improvement of infrastructure.

Part B: Support Services, Human Resource Development, and Management

1. Improve the capacity of Timor-Leste in: (a) overall governance and management of the health sector; (b) human resource development and management practices in the health sector; (c) procurement, distribution and management of essential drugs and supplies; (d) core health sector fiduciary and support functions, including planning and supervision of civil works; logistics and maintenance of infrastructure and equipment; financial management; procurement; and information and communication technologies.

2. Strengthen technical and managerial capacity of the health workforce through: (a) strengthening the capacity of the Institute of Health Sciences; (b) support for long-term and short-term training for health staff and managers.

Part C: Coordination, Planning and Monitoring

1. Strengthen the capacity of the Ministry of Health of Timor-Leste (MOH) in: (a) coordination and monitoring of donor programs, including through establishment of a Department for Partnership Management within the MOH; (b) policy development and operational research capacity.

2. Support Timor-Leste in: (a) the implementation of improved health sector program planning and budgeting procedures at national and district levels; (b) implementation of a practical and cost-effective HSSP monitoring and evaluation system, including (i) strengthening the Health Management Information System; (ii) support for health sector surveys and evaluations.

Part D: Innovation and Program Development

Support initiatives, among other, to: (a) promote community demand for health services; (b) provide incentives to service providers; (c) establish effective public-private partnership options; and (d) pilot rapid results initiatives, to build local implementation capacity and strengthen the focus on results.

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

Proceeds from 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:

- (a) Facilitating the carrying out of activities under the Project (executed by Timor-Leste).
- (b) Carrying out of project supervision and operational research, and technical assistance work in Timor-Leste (executed by IDA). Expenses for operational work and technical assistance, including staff costs, consultants' fees, travel expenses, communications and translation costs extended term consultants, media and workshops and conferences, up to a maximum of US\$850,000 may be charged to the Trust Fund.

**Standard Provisions Applicable to the Multi-Donor Trust Fund for the Health Sector Program
in Timor-Leste**

The following provisions (hereinafter referred to as the “Standard Provisions”) shall be applicable to and form an integral part of all agreements entered into between the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”) and donor countries and/or organizations (hereinafter referred to as the “Donors”) that provide grants (referred to as the “Contributions”) to be administered by the Bank for the Multi-Donor Trust Fund for the Health Sector Program in Timor-Leste (the “Project”).

1. Administration of the Contributions

The Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contribution funds shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The Contribution funds may be commingled with other trust fund assets maintained by the Bank.

2.2. The Contribution funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3 The Bank shall invest and reinvest the Contribution funds pending their disbursement in accordance with the Bank’s policies and procedures for the investment of trust funds administered by the Bank. The Bank shall credit all income from such investment to the trust fund established under this Agreement to be used for the same purposes as the Contribution funds.

2.4. Recognizing the obligations of Bank member countries under various United Nations Security Council Resolutions to take measures to prevent financing of terrorists, the Bank undertakes to use reasonable efforts, consistent with the Bank’s Articles of Agreement and policies, including those pertaining to combating financing for terrorists, to ensure that the funds provided under this Letter Agreement are used for their intended purposes and are not diverted to terrorists or their agents. The Bank will include a provision in the Grant Agreement that the recipient will not use the proceeds of the grant for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the recipient’s knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

3. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of Contribution funds, deduct from such funds and retain for the Bank’s own account an amount equal to 0.8 % of the Contributions. In addition, actual supervision costs up to a maximum of USD 700,000 will be charged to the trust fund.

4. Grant to Recipient

4.1. The Bank shall, as administrator on behalf of the Donors, enter into a grant agreement (the “Grant Agreement”) with Timor Leste (the “Recipient”) for the provision of Contribution funds for the

purposes of this Agreement and on the terms and conditions set forth in the Grant Agreement. The Bank shall furnish a copy of the Grant Agreement to the Donors.

4.2. The Bank shall be solely responsible for the supervision of Project activities financed under the Grant Agreement.

4.3. If, in the Bank's opinion, an amount of the Contribution funds allocated to any of the expenditure categories specified in Annex 1 to this Agreement will be insufficient to finance the expenditures for such category, the Bank may reallocate to such category an amount of the Contribution funds then allocated to another category which, in the Bank's opinion, will not be necessary to meet other expenditures. The Bank will notify the Donors of such a reallocation.

5. Employment of Consultants and Procurement of Goods

The employment and supervision of consultants and the procurement of goods financed by the Contributions shall be the responsibility solely of the Bank and shall be carried out in accordance with its applicable policies and procedures. The Grant Agreement shall provide that the Contributions shall be used by the Recipient to finance expenditures for goods and services, as the case may be, in accordance with the World Bank's Guidelines on "Procurement under IBRD Loans and IDA Credits" and the World Bank's Guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," as in effect at the date of the Grant Agreement.

6. Accounting and Financial Reporting

6.1. The Bank shall maintain separate records and ledger accounts in respect of the Contributions deposited in the trust fund account and disbursements made therefrom.

6.2. Within ninety (90) days of each March 31, June 30, September 30 and December 31, the Bank shall furnish to the Donors an unaudited cash-based statement of receipts, disbursements and fund balance in United States Dollars with respect to the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.1 after all commitments and liabilities under this trust fund have been satisfied and the trust fund has been closed, the Bank shall furnish to the Donors a final unaudited cash-based statement of receipts, disbursements and fund balance in United States Dollars with respect to the Contribution funds.

6.3. The Bank shall also provide the Donors with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreement.

6.4. The Bank shall provide to the Donors, within six (6) months following the end of each the Bank fiscal year, a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations shall be borne by the Bank.

6.5. If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the trust fund established under this Agreement, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall decide on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the Donor.

7. Coordination and Project Reporting

7.1. The Bank shall provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) of the final disbursement date specified in paragraph 8.1, the Bank shall furnish to the Donors a final report on the Program activities.

7.2. The Bank shall promptly inform the Donors of any significant modification to the terms of the Grant Agreement and of any contractual remedy that is exercised by the Bank under the Grant Agreement. To the extent practicable, the Bank shall afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

8. Disbursement Deadline; Cancellation; Refund

8.1. It is expected that the Contribution funds shall be fully disbursed by the Bank in accordance with the provisions of this Agreement by December 31, 2013. The Bank shall only disburse Contribution funds for the purposes of this Agreement after such date with the written approval of the Donors.

8.2. Any Donor or the Bank may, upon three (3) months' prior written notice, cancel all or part of the Donor's pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreement.

8.3. Upon the final disbursement date specified in paragraph 8.1, the Bank shall return any remaining balance of the Contribution funds to the Donors on a pro rata basis. In the event of a cancellation of an individual Donor's pro rata share of uncommitted Contribution funds in accordance with paragraph 8.2, the Bank shall return such cancelled balance to the Donor.

9. Disclosure

The Bank may disclose this Agreement and information on this trust fund in accordance with the Bank's policy on disclosure of information.