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Report No:

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
PLANNING AND FINANCIAL MANAGEMENT CAPACITY BUILDING
PROGRAM PROJECT

IDA GRANT H210-TP

AND

MDTF TRUST FUND TF93959

TO THE

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

{DATE OF RESTRUCTURING}

ANNEX 3: Extension of Closing Date

TIMOR-LESTE — PLANNING AND FINANCIAL MANAGEMENT CAPACITY BUILDING PROGRAM

P092484

IDA GRANT NO. H210-TP AND TF NO. 093959

Restructuring Paper

1. The closing date of both the IDA-Grant and the MDTF trust fund no. TF093959 supporting the Timor-Leste Planning and Financial Management Capacity Building Program (PFMCBP): *P092484*, will be extended to *November 30, 2012*.
2. Implementation progress since early 2008 has been strong after a slow start following Program effectiveness in 2006. PFMCBP was formally restructured in early 2010 to align its objectives to emerging priorities and to reduce the scope and complexity of the Program. PFMCBP has been the main coordinating mechanism around PFM since early 2008, when MOF's workload leaped with petroleum receipts and the 2006 crisis.
3. A Mid-Term Review (MTR) in June 2010 found that the Program had contributed significantly to building up capacity across MOF. It helped to respond to urgent needs but also address long-term objectives, including: a major reorganization of MOF; significant upgrades to the Integrated Financial Management Information System (IFMIS); strengthening revenue administration; and the development of a policy analysis capability. These reforms have enabled a rapid rise in Government spending to address urgent needs, whilst also improving transparency. MOF's organizational restructuring have increased clarity over roles and responsibilities, and promoted greater communication, gradually building up a strong management cadre. Although the Program is focused on MOF, it has had a positive impact on engagement with the line ministries, the Council of Ministers, and the Parliament.
4. The proposed extension is necessary to start the implementation of MOF's Strategic Plan (SP), which was recently finalized after extensive work following the MTR, to identify priority capacity development needs across MOF. The SP provides a detailed roadmap to strengthen MOF capacity for prudent, effective and accountable planning and management of public finances. It recommends priorities based on MOF's critical role in the implementation of Timor-Leste's Strategic Development Plan. The extension period will enable MOF to start preparations for any follow on program of support beyond November 2012, to be based on its Strategic Plan. The extension also takes into account the need to provide a smooth transition during the Presidential and Parliamentary elections scheduled in 2012.
5. This will be the first extension of the PFMCBP.

