

Trust Fund for East Timor (TFET)

Report of the Trustee



March 31, 2006



Executive Summary

- i. The multi-donor Trust Fund for East Timor (TFET) has supported reconstruction and development activities in Timor-Leste since the beginning of 2000. Since the last Report of the Trustee in April 2005, 1650 hectares of irrigation schemes and 42 km of access roads were rehabilitated under the Second and Third Agriculture Rehabilitation Project; with the assistance of the Fundamental School Quality Project the Ministry of Education and Culture finalized its Strategic Plan for Universal Primary Completion (SP-UPC), and 65 new primary schools and one new Escola Basica were constructed; construction of three new hospitals in Maubisse, Oecussi, Maliana and rehabilitation of the Dili hospital has commenced and 7 micro-policies were drafted under the Second Health Sector Rehabilitation and Development Project; the Cassa Bridge was completed under the Emergency Infrastructure Rehabilitation Project; the Petroleum Technical Assistance Project supported the adoption of legislation for petroleum production, taxation, and revenue management and capacity building for the Timor Sea Tax Division; and the Second Small Enterprises Project rehabilitated 22 markets and delivered entrepreneurial and financial training to 3,000 people.
- ii. Financial management performance for TFET projects has broadly improved. The financial management ratings for ARP III and FSQP have been upgraded to satisfactory since the last Report of the Trustee. The financial management rating for SEP II was downgraded slightly to moderately satisfactory following shortcomings in the timeliness of reporting and reconciliations. The quality of procurement in the TFET portfolio has improved. All projects have been rated at least satisfactory on procurement, and the procurement management of HSRDP II and FSQP has been rated highly satisfactory. The Government and the World Bank are following up on possible misprocurement of small works in SEP II and alleged collusion in a bidding process for small rehabilitation works in FSQP. Disbursement rates have increased despite the winding down of several projects, but they are expected to slow for the remainder of the life of TFET.
- iii. All projects, whether in the pipeline or active, continue to be aligned with the NDP, the Stability Program and the Sector Investment Programs. In addition, where feasible construction methods and procurement procedures focus on enhanced local content without affecting quality. The integration of Project Management Units (PMU) into line ministries continues. Line ministry personnel, with support from international advisors where necessary, are assisting both TFET and Consolidated Fund for Timor-Leste (CFTL) activities to an increasing degree. Since the last Report of the Trustee, TFET PMUs and advisors have actively helped the implementation of the CFTL budget. The rehabilitation of Dili National Hospital is co-financed by TFET and CFTL and financial management, procurement and construction supervision are undertaken by the TFET funded PMU. Fifty-five primary schools financed by CFTL are being constructed with direct support from the FSQP PMU. In the Ministry of Agriculture, Forestry and Fisheries, all ARP-funded advisors are supporting the full range of Ministry programs.
- iv. As of February 28, 2006, USD 178.16 million¹ had been contributed to TFET and USD 177.85 million had been committed to projects. Thus, TFET is running a small surplus of approximately USD 0.31 million. An additional amount of USD 0.12

¹ Include cash receipts, promissory notes, and investment income.

million is available as a result of a refund to TFET due to misprocurement in HSRDP I,² bringing total surplus funds to USD 0.43 million. In alignment with the Sector Investment Programs, the Government has expressed a preference to allocate this surplus to the Gas Seep Harvesting Project, which supports the generation of electricity in major population centers in the southern part of Timor-Leste. The Government requests that the Council endorse this allocation on a no-objection basis.

I. Introduction and Background

1. The multi-donor Trust Fund for East Timor, one component of the overall assistance pledged to Timor-Leste during a December 1999 donor meeting in Tokyo, provides grants in support of reconstruction and development activities focused on physical rehabilitation of social and economic infrastructure, sectoral policy development, and recovery of the private sector. TFET-financed projects began operating in the first half of 2000. The Government of Timor-Leste,³ in coordination with the World Bank, the Asian Development Bank (ADB), TFET donors, and other stakeholders, establishes TFET work program priorities. This process is now facilitated by the development of the Sector Investment Programs and guided by the associated Sector Working Groups. All activities are implemented by Government agencies with support from the World Bank and the ADB.⁴
2. This report provides an update on TFET-financed activities since the April 2005 Report of the Trustee, presents the status of TFET contributions and commitments, and outlines the proposed TFET work program priorities for May 2006 – April 2007.
3. Status reports on each TFET-funded project are included in the Technical Appendix.

II. Recent Political and Economic Developments

4. In January 2006, the **Governments of Australia and Timor-Leste signed an agreement to evenly share revenues from the Greater Sunrise oil and gas fields in the Timor Sea.** Subsequent to the ratification of the Timor Sea Treaty in March 2003, development of the Bayu-Undan oil and gas field has proceeded and liquids production began in April 2004. A second phase has begun, which entails the piping of dry gas to Darwin, Australia, for recovery as liquefied natural gas. Following the promulgation in 2005 of a Petroleum Act, Petroleum Taxation Act, and Petroleum Fund Act, the Government conducted a “road show” in Singapore, London, Calgary and Houston. Bidding for the licensing of near-shore oil exploration began in February 2006.
5. Having embraced the principle of transparent management of petroleum revenues well before the launch of the Extractive Industries Transparency Initiative, **Timor-**

² This matter is currently under consideration by Government and will be resolved as soon as possible.

³ The TFET Program had its origin in the 1999 Joint Assessment Mission, which had an equal number of Timorese and international representatives. The allocation of funds between sectors and prioritization of projects is decided by Timorese representatives: initially this was done through the National Consultative Council, subsequently by the First Transitional Cabinet, then by the Council of Ministers of the 2nd Transitional Government, and currently by the Council of Ministers of the Democratic Republic of Timor-Leste.

⁴ The World Bank (International Development Association) acts as Trustee and focuses on Community Development and Governance, Private Sector Development, Health, Education, Agriculture, and Petroleum Sector Development; ADB focuses on Infrastructure, Water Supply and Sanitation, and Microfinance.

Leste is a pilot country for EITI. The Petroleum Fund Act establishes a savings policy aimed at preserving the real value of petroleum wealth by spreading expenditures over an infinite horizon, safeguarding a sustainable budget in perpetuity. In September 2005, the Government established a Petroleum Fund to collect all revenues from petroleum. Annual withdrawals of the sustainable income must be approved by Parliament and are integrated into regular budget processes. An Investment Advisory Board was created in late 2005, and two quarterly reports have been released on time.

6. In a context of historically high oil prices, Timor-Leste's **petroleum revenues have continued to rise rapidly, reaching USD 350 million in FY06**, more than twice the FY06 budget of USD 130 million. Medium-term projections indicate that petroleum revenues will grow to over USD 1 billion per year by FY08. At end-December 2005, the Petroleum Fund had accumulated deposits amounting to about USD 370 million. Domestic revenues have increased slightly to USD 34 million, despite the slowdown in imports and local economic activity, and are expected to grow to USD 50 million per year by FY10.
7. With the initiation of petroleum production and high prices, **Gross National Income is rising considerably. At the same time, non-petroleum Gross Domestic Product (GDP) is growing only modestly.** Following a decline of around 6 percent per year in 2002 and 2003, non-petroleum GDP recovered slightly to grow 0.4 percent in 2004 and an estimated 1.8 percent in 2005, reflecting a post-drought rebound in the agriculture sector and expansion in banking sector activity. Non-oil GDP is expected to grow at around 4.5 percent in the medium term. With a population growing at well over 3 percent per year, **per capita GDP has steadily declined to USD 364 in 2005, which indicates that poverty is most likely increasing.**
8. **Inflation has fallen to 0.9 percent in 2005**, in response to declining food prices following the reduced presence of expatriates and a recent boost in agricultural production. Inflation is expected to remain at around 2.5 percent on the basis of low international inflation and the continued absence of domestic demand pressures. Non-petroleum exports have remained steady at USD 8.1 million in 2005, of which 7.6 million is coffee. Coffee exports are expected to rise in the medium term in response to higher international prices and improved marketing; other exports are growing at a higher rate but starting from a much lower base. The **trade deficit has narrowed to an estimated USD 171 million in 2005**,⁵ amounting to about 49 percent of non-petroleum GDP.
9. **The overall wage level remains high** in comparison with neighboring countries, undermining competitiveness and limiting job creation for unskilled labor. For example, in Timor-Leste, the guideline wage for unskilled labor is about USD 85 per month, as compared to USD 45 in Indonesia and USD 20 in Vietnam. At the same time, **unemployment rates are high.** Nationwide, unemployment has grown to 8.5 percent of the labor force from about 6 percent in 2001.⁶ In the urban areas of Dili and Baucau, overall unemployment has risen slightly to 23 percent from about 21

⁵ Excluding petroleum revenue.

⁶ Unemployment covers those who are of working age, but have not worked in the last 7 days. These figures include both those who are and are not actively looking for work. Data for 2001 are based on the Timor-Leste Living Standards Survey. Data for 2004 are based on the National Census.

percent in 2001, and the youth unemployment rate has declined to 40 percent from 45 percent in 2001. Unemployment rates are highest in Dili, at 27 percent overall and 44 percent among youth.

10. While some interest has been shown in concessions for exploitation of natural resources, such as fisheries and forestry, **there has been little new investment thus far**. However, TradeInvest Timor-Leste held its first major investment conference in November 2005 and has recently approved two investment proposals in the coffee and fishing industries, totaling about USD 19 million. **Financial sector activity has continued to expand rapidly**. Bank deposits increased to USD 99 million in 2005, up from USD 84 million the previous year. Commercial bank lending grew by 23 percent to USD 88 million, after more than tripling in 2004. The quality of the portfolio has declined, with non-performing loans accounting for 12.8 percent of total lending at end-December 2005. Microfinance institutions remain small in terms of dollars, but reach between one-fifth and one quarter of poor households.

III. Achievements in the TFET portfolio since April 2005

11. The **National Development Plan (NDP)** sets out Timor-Leste's development vision for 2020 and concrete goals to be achieved by mid-2007. The NDP priorities were defined on the basis of a nation-wide consultation process completed just prior to the restoration of Independence. In February 2004, the Government outlined a Stability Program to sharpen the short-term focus on governance, service delivery in education and health, and the creation of productive employment in the private sector and in agriculture. Since the last TFET Donor Council meeting, Government has revised the Sector Investment Programs (SIPs) for 17 sectors, reflecting the new Government structure, updated costing and donor commitments, and adjusted priorities. All ongoing and new TFET activities are integrated into and aligned with the SIPs.
12. Since TFET's inception, **fourteen projects have been completed**: the First and Second Agriculture Rehabilitation Projects (ARP I and II), the First Petroleum Technical Assistance Project (PTAP I), the Dili Employment Generation Project (DEGP), the First, Second and Third Community Empowerment Projects (CEP I, II & III), the Emergency School Readiness Project (ESRP), the First Small Enterprises Project (SEP I), the First & Second Water Supply and Sanitation Rehabilitation Projects (WSSRP I & II), the first Emergency Infrastructure Rehabilitation Project (EIRP I), the Microfinance Project, and the First Health Sector Rehabilitation and Development Project (HSRDP I).
13. **There are now eight active TFET-funded projects**: The Second Health Sector Rehabilitation and Development Project (HSRDP II), the Second Emergency Infrastructure and Rehabilitation Project (EIRP II), the Fundamental School Quality Project (FSQP), the Second Small Enterprises Project (SEP II), the Economic Institutions Capacity Building Project (EICBP), the Second Petroleum Technical Assistance Project (PTAP II), the Third Agriculture Rehabilitation Project (ARP III), and the Power Sector Priority Investments Project (PSPPI). One new project, the Gas Seep Harvesting Project and supplements to the HSRDP II and PSPPI are under preparation.

14. **TFET-financed staff are increasingly supporting implementation of CFTL activities, thereby helping to strengthen capacity in the relevant Ministries.** The integration of Project Management Units into line ministries continues. Line ministry personnel, with support from international advisors where necessary, are assisting both TFET and CFTL activities to an increasing degree. Since the last Report of the Trustee, TFET PMUs and advisors have actively assisted the implementation of the CFTL budget. The rehabilitation of Dili National Hospital is co-financed by TFET and CFTL and financial management, procurement and construction supervision are undertaken by the TFET funded PMU. In the Ministry of Education and Culture, the TFET-supported Facilities Unit maintains its high standards for design, tender and supervision of school construction. Fifty-five schools financed by CFTL are being constructed with direct support from the FSQP PMU. In the Ministry of Agriculture, Forestry and Fisheries, all advisors are supporting the full range of Ministry programs.
15. The **Second Agriculture Rehabilitation Project** has closed since the last Report of the Trustee. Under ARP II, ten Water User Associations were established, in association with the small irrigation schemes rehabilitated by the Project. Rehabilitation efforts reached 3,908 hectares of irrigation schemes (186 percent of the original target) and 123 km of roads (123 percent of target). Until Project closing in June 2005, ARP II activities overlapped with ARP III to ensure continuity in aligned activities. An Implementation Completion Report (ICR) was finalized in September, 2005.
16. Under the **Third Agriculture Rehabilitation Project**, the Ministry of Agriculture, Forestry and Fisheries (MAFF) has placed the Project Information Team within the Ministry's Research and Extension Center, directly under the Permanent Secretary. This is a positive institutional development, as it enables the team to service all MAFF sub-sectoral units. An Information Team Leader was also recruited, and shortly an Extension/Communication Advisor will be mobilized. Information materials are being distributed and radio slots broadcasted, and staff have received training in extension and media production. A well established system for vaccination against hog cholera (pigs) and hemorrhagic septicemia (cattle and buffalo) has been developed and continued efforts are likely to achieve 100 percent coverage of large livestock and pigs. Full CFTL funding will commence in FY08. These vaccination campaigns are implemented with the help of private village livestock workers, 265 (27 women) of whom have received training, forming a cadre of present and future vaccinators for Government vaccination programs. MAFF has abolished its Project Management Unit and handed over all responsibilities to Ministry personnel, supported by advisors. The Agribusiness Unit, established in 2005 with help from ARP II, is in the process of becoming operational and job descriptions have been issued.
17. The **Economic Institutions Capacity Building Project** is winding down, with three out of the four components closed. A program of economics training, including on-the-job training and mentoring, was completed in 2003, and work on the preparation of national accounts was completed in 2004. The FreeBalance financial management information system was implemented and is now stable, assisting basic transaction recording and reporting. Asset and procurement modules were installed, though these elements have not been well integrated into the main system and staff have experienced difficulties in obtaining reports that address their specific requirements.

A number of these issues are to be addressed in the upcoming Planning and Financial Management Capacity Building Program. Since April 2005, an options study has been conducted regarding the import and distribution of all fuel (Government and non-Government), intended to reduce fuel costs and improve the bidding process for the acquisition of fuel. The Procurement Office of the Ministry of Planning and Finance has called for bids for the construction of a fuel storage facility and the supply of diesel and other petroleum products for Government needs for three years. The bids closed in December 2005 and Government is currently evaluating them.

18. Physical works funded under the **Second Emergency Infrastructure Rehabilitation Project** are now on track. Management and training activities for Ministry of Public Works staff are ongoing, and a consultant is providing support to the supervision of the Baucau-Viqueque Road Program. Construction of the Cassa Bridge was completed on June 10, 2005. The project's closing date has been extended to November 30, 2006 to allow for completion of the planned civil works contracts.
19. The **Fundamental School Quality Project** has assisted the Ministry of Education and Culture in constructing and upgrading four new *Escolas Basicas* and 119 new primary schools. Since the Project began, 90 new primary schools and four new *Escolas Basicas* have been completed, and 13 are under construction. FSQP has supported the preparation of the Strategic Plan for Universal Primary Completion (SP-UPC) and the development and execution of a National Education Policy Framework, a draft of which is awaiting approval by the Council of Ministers. *Lafaek* magazine, the only mass-circulated publication in Tetum, is produced in a collaboration between the Government and CARE International. Reaching an estimated 200,000 school children around the country, *Lafaek* promotes literacy and provides a variety of information on current events as well as traditional short stories.
20. Under the **First and Second Health Sector Rehabilitation and Development Projects**, and with bilateral assistance, the Ministry of Health has finalized nine micro-policies: reproductive health, family planning, leprosy, nutrition, child health, health promotion, immunization, mental health, and tuberculosis. Civil works have commenced for the new hospitals in Maubisse, Oecussi, and Maliana, the rehabilitation of Dili National hospital, as well as the central laboratory. A total of 28 Community Health Centers have been completed since the start of the program. The findings of the Demographic and Health Survey were released in 2005 and the MOH has adjusted the target population for administrative health statistics using data from the 2004 National Census. Immunization rates for DPT-3 and measles are 52 percent and 50 percent respectively, and demand for health services has increased as evidenced by the growth in per capita outpatient visits to 2.2, still low by regional standards. Performance indicators vary widely among districts. Some districts have developed good practices in outreach that may serve as useful models for other districts.
21. The **Second Petroleum Technical Assistance Project** continues to support the development of the petroleum sector through the strengthening of two critical Government agencies – the Timor Sea Office and the Timor Sea Tax Division. The project provided capacity building on petroleum revenue forecasting and improved auditing of Timor Sea taxpayers. It has also contributed to the drafting of petroleum sector legislation, a new Petroleum Mining Code and Model Production Sharing

Contract for the Joint Petroleum Development Area, and a new Petroleum Law and Model Contract for Timor-Leste's onshore and offshore petroleum production regime. The laws were passed by Parliament in November 2005.

22. Under the **Second Small Enterprises Project**, more than 8,000 Timorese have participated in entrepreneurial training activities offered by the five Business Development Centers, which far exceeds outreach targets. Among the participants, 39 percent were women, an increase from 35 percent in April 2005, and 49 percent were youth (under 30 years of age). The Government is currently reviewing options to ensure the continuation of the BDC network after the project closes in December 2006. The rehabilitation of 41 local markets has been completed, out of a target of 73. All civil works for the market rehabilitation program are conducted by district-based firms, thus contributing to local employment. TradeInvest Timor-Leste, the foreign investment and export promotion agency, is in early stages of operation, headed by an internationally-recruited CEO, funding for whom was taken over from SEP by USAID in February 2006. The first national business forum was held in June 2005, and the second on March 30-31, 2006. A feasibility study for the creation of a Special Economic Zone (SEZ) is underway.
23. Since the last Report of the Trustee, **Joint Donor Missions** were held in the agriculture, health, and education sectors. Regular Supervision Missions visited Dili for all active projects. No restructuring missions took place.

IV. Portfolio Issues

24. The **financial management arrangements** for TFET projects were reviewed by the Trustee in February 2006, at which time it was recommended to restore the ratings for ARP III and FSQP to **satisfactory**. In the case of SEP II, shortcomings in the timeliness of reporting and reconciliations have led to a marginal downgrading from satisfactory to **moderately satisfactory**. The project has undertaken to address concerns within the current quarter. Audit of the portfolio did not reveal any portfolio-wide issues which require attention. Discussions have been launched regarding the audit arrangements for FY06.
25. The **quality of procurement in the TFET portfolio is, by and large, satisfactory**. Procurement in the HSRDP II and FSQP is progressing well with **highly satisfactory** ratings. The health project has committed major contracts for works (construction and rehabilitation of Dili, Maubisse, Maliana and Oecussi Hospitals) and goods (pharmaceuticals and medical consumables). The education project's school construction program is considered a model for local bidding. ARP III maintains its **satisfactory** rating. Some delays have occurred in the completion of the Caraulun irrigation scheme. The rating for SEP II was upgraded to **satisfactory** from unsatisfactory in December 2005. The World Bank awaits the Government's official response to inquiries on possible misprocurement in two very small SEP II market rehabilitation works (below USD 10,000) completed in early 2005. The Bank is also following up on an FSQP report regarding alleged collusion in a bidding process for small rehabilitation works (below USD 50,000) involving four local contractors. The procurement was cancelled, and the report has been referred to both the Government Procurement Service Unit and the Bank's Investigation Unit for further action.

26. **Disbursement rates have increased despite the winding down of several projects.** Total cumulative disbursement under TFET as of February 28, 2006 was USD 163.15 million. USD 15.14 has been disbursed since the last Report of the Trustee, representing an average monthly disbursement of USD 1.26 million, up from USD 1.04 million per month over the previous period. Except for the Power Sector Priority Investment Project, projects have disbursement lags of less than two months. Project disbursements are expected to slow down for the remainder of the life of TFET, given the limited amount remaining to be disbursed.
27. The Trustee continues to issue a **Monthly TFET Update** report in a user-friendly matrix format that is posted on its website in both Tetum and English (www.worldbank.org/tl). The report highlights salient outcomes for every project as well as management issues and risk factors. In addition, both the Government and TFET development partners continue to receive the monthly portfolio management report as well as the Aide-Memoires of project-specific supervision missions.

V. **TFET Financial Status**

28. Table 1 shows existing and expected TFET grant agreements. As of February 28, 2006, 27 grant agreements, including supplements, had been signed, with a value of USD 166.77 million. In accordance with the TFET resolution, 6 percent of total donor contribution funds committed either through cash or promissory notes have been provisioned for project preparation, supervision, and administrative costs, bringing total commitments to USD 176.78 million. In addition, commitments for grant agreements under preparation totaled USD 1.07 million, bringing total project commitments for the current work program to USD 177.85 million.
29. Table 2 presents actual and pending donor contributions to TFET. The accumulated commitment authority, including investment income of approximately USD 8.93 million earned since the inception of the TFET, was USD 178.16 million as of February 28, 2006.

Table 1. Existing and Expected TFET Grant Agreements as of February 28, 2006

Activity/Project/Grant	Date of Grant Agreement	Project Amount (USD m)¹
Human Resources Survey	January 18, 2000	0.38
Community Empowerment	February 21, 2000	9.00
Dili Community Employment	April 3, 2000	0.49
Emergency Infrastructure (ADB)	April 5, 2000	27.80
Small Enterprise [1]	April 13, 2000	4.79
Health [1]	June 6, 2000	12.69
Education [1] ¹	June 21, 2000	13.89
Agriculture [1] ¹	June 21, 2000	6.79
Water and Sanitation [1] (ADB)	August 15, 2000	4.50
Microfinance (ADB)	December 18, 2000	4.00
Economic Capacity Building	February 26, 2001	0.60
Community Empowerment [2]	May 21, 2001	8.50
Water and Sanitation [2] (ADB)	August 27, 2001	4.50
Health [2]	October 15, 2001	12.60
Education [2]	October 29, 2001	13.90
Small Enterprise [2]	October 29, 2001	7.50
Agriculture [2]	October 29, 2001	8.00
Emergency Infrastructure supplemental (ADB)	October 31, 2001	1.96
Hera Port, part of Agriculture 2 (ADB)	November 27, 2001	1.00
Infrastructure [2] (ADB)	May 18, 2002	9.00
Community Empowerment [3]	July 1, 2002	1.50
Petroleum Technical Assistance	December 10, 2002	0.24
Petroleum Technical Assistance [2]	July 30, 2003	1.70
Agriculture [3]	January 26, 2004	3.00
Economic Capacity Building supplements	June 3, 2004	0.35
Education – supplement to Education [2]	September 1, 2004	6.70
Power Sector Priority Investment	April 1, 2005	1.39
Total Value of Signed Grant Agreements		166.77
Project preparation and supervision costs (allocation to date)		8.31
Outstanding preparation and supervision costs ²		0.03
Fiduciary and management fee ³		1.67
Total Commitments to Date		176.78
<i>Under Preparation/Expected</i>		
Small Works Program in Health – supplement to Health [2]		0.20
Gas Seep Harvesting Project		0.54
Power Sector Priority Investments – supplement		0.33
Total Commitments for Expected Grant Agreements		1.07
Total Work Program to Date		177.85

Notes:

1. "Project Amount" equals the total amount of the Grant Agreement (USD) for ongoing projects, or the total disbursed amount (USD) for closed/completed projects.
2. Outstanding preparation and supervision costs eligible under the 5 percent cap over the life of TFET. Calculation is based on total donor contribution funds (cash and promissory notes) into TFET of USD166.85 million and does not include additional World Bank and ADB funds used to support project costs over the life of TFET.
3. A one percent fiduciary and management fee is charged on total donor contribution funds received into TFET to cover trust fund administration.

**Table 2. Actual and Pending TFET Pledges and Contributions as of February 28, 2006
(USD million equivalent)**

Donor	Pledges	Contribution Promissory Notes Agreement	Cash Received or Lodged
Portugal ^(a)	50.00	50.00	50.00
European Commission	50.67	50.67	50.67
Japan TFET	28.00	25.90	25.90
Japan (PHRD) ^(b)	-	2.00	2.00
Australia ^(c)	12.43	12.43	12.43
United Kingdom	10.18	10.18	10.18
World Bank	10.00	10.00	10.00
Finland	3.72	3.72	3.72
Norway	2.39	2.39	2.39
United States of America	0.50	0.50	0.50
Ireland	0.47	0.47	0.47
IDA-PCF	0.38	0.38	0.38
New Zealand	0.36	0.36	0.36
Italy	0.21	0.21	0.21
Total Commitment Authority		169.23	169.23
Investment income ^(d)		8.93	8.93
Financing Available for Current Work Program		178.16	178.16

Notes: ^(a)Portugal has contributed USD 45 million in cash, with USD 5 million remaining against a promissory note.

^(b)Japan's pledge was USD 28 million, of which USD 2 million was awarded from the Japanese-funded Policy and Human Resource Development (PHRD) Trust Fund prior to the establishment of TFET.

^(c)Australia has also contributed USD 650,000 in cofinancing of the first TFET education program.

^(d)Actual income based on an estimated average monthly balance of USD 19.2 million and is shown as of February 28, 2006.

VI. Activities under Preparation and Proposed

30. The pending supplemental grants for the Second Health Sector Rehabilitation and Development Project, USD 0.2 million, and the Power Sector Priority Investment Project, USD 0.325 million, are being finalized, and the Gas Seep Harvesting Project, totaling USD 0.54 million, is under preparation.
31. As shown in Tables 1 and 2, TFET is running a surplus of USD 0.31 million. An additional USD 0.12 million is available in additional funds following a refund of this amount to TFET due to a misprocurement issue with HSRDP I.⁷ The total available in surplus funds is USD 0.43 million. Following past practice it is proposed that the surplus be allocated to areas of priority need as identified by the Government and agreed by donors, and the Government has indicated its intention to reallocate these funds to the Gas Seep Harvesting Project.

⁷ This matter is currently under consideration by Government and will be resolved as soon as possible.

Table 3. Approved and Proposed Work Program

Activity / Approval Date	Grant Agreement Amt.* (USDm)
Activity Approved June 2003 (Dili Timor-Leste Development Partners Meeting)	
Small Works Program in Health – supplement to Health [2]	0.200
Activity Approved May 2004 (Dili Timor-Leste Development Partners Meeting)	
Gas Seep Harvesting Project	0.540
Activity Approved May 2005 (Dili Timor-Leste Development Partners Meeting)	
Power Sector Priority Investment Project	0.325
Activity Proposed May 2006 (Dili Timor-Leste Development Partners Meeting)	
Gas Seep Harvesting Project	0.430
Total outstanding work program	1.495

*Grant agreements may vary by 20 percent above or below proposed amounts at the discretion of the Trustee and Recipient without recourse to the TFET Donor Council.

VII. Future Working Arrangements

32. As agreed in April 2005, the Trustee will submit a written Report of the Trustee to the donors each year, in conjunction with the annual meeting of the TFET Donor Council.

VIII. Approval of the TFET Work Program

33. I recommend to the Donor Council that it approve the proposed work program for April 2006 – March 2007, including the allocation of the TFET surplus to the proposed work program activities described in Section VI (para 31). The Trustee would appreciate receiving any objections to the proposed work program by April 3, 2006.

Xian Zhu
Representative of the Trustee

Annexes

1. TFET Estimated Disbursements at End of the Reported Period
2. TFET Summary: Actual vs. Targeted Disbursements as of March 31, 2005

Technical Appendix: Project Overviews

Annex 1. TFET Estimated Disbursements at End of the Reported Period

Activity/Project/Grant	Grant Agreement Date	Grant Agreement USD million	Cumulative Disbursements	Balance as of February 28, 2006
Human Resources Survey	January 18, 2000	0.40	0.38 ¹	0.00
Community Empowerment [I]	February 21, 2000	9.00	9.00	0.00
Dili Community Employment	April 3, 2000	0.50	0.49 ¹	0.00
Small Enterprise [1]	April 13, 2000	4.85	4.79 ¹	0.00
Emergency Infrastructure [I] (ADB)	April 19, 2000	27.80	27.80	0.00
Health [1]	June 6, 2000	12.70	12.69 ¹	0.00
Education [1]	June 21, 2000	13.90	13.89 ¹	0.00
Agriculture [1]	June 21, 2000	6.80	6.79 ¹	0.00
Water and Sanitation [1]	August 15, 2000	4.50	4.50	0.00
Microfinance [1]	December 18, 2000	4.00	4.00	0.00
Economic Capacity Building	February 26, 2001	0.95	0.91	0.04
Community Empowerment [2]	May 21, 2001	8.50	8.50	0.00
Water and Sanitation [2]	August 27, 2001	4.50	4.50	0.00
Health [2]	October 15, 2001	12.60	9.36	3.24
Education [2]	October 29, 2001	20.60	19.20	1.40
Small Enterprise [2]	October 29, 2001	7.50	4.60	2.90
Agriculture [2]	October 29, 2001	8.00	7.99	0.01
Emergency Infrastructure (supplemental)	October 31, 2001	2.00	1.96 ¹	0.04
Hera Port (part of Agriculture 2)	November 27, 2001	1.00	1.00 ¹	0.00
Emergency Infrastructure [2] (ADB)	May 18, 2002	9.00	5.26	3.74
Community Empowerment [3]	July 1, 2002	1.50	1.50	0.00
Petroleum Technical Assistance [I]	December 10, 2002	0.24	0.24	0.00
Petroleum Technical Assistance [2]	July 30, 2004	1.70	1.45	0.25
Agriculture [3]	January 26, 2004	3.00	2.32	0.68
Power Sector Priority Investment	April 1, 2005	1.39	0.60	1.33
Project preparation and supervision		8.34	8.31	0.03
Fiduciary and management fee		1.67	1.62	0.05
<i>Under Preparation</i>				
Health – Supplement to Health [2]		0.20	n/a	0.20
Gas Seep Harvesting		0.54	n/a	0.54
Power Sector Priority Investment (supplemental)		0.33	n/a	0.33
Total Amounts as of February 28, 2006		177.14	147.87	29.44

NOTE: For all projects marked ¹, there were small undisbursed balances left at closing that were made available for reallocation.

Annex 2. TFET Summary: Actual vs. Targeted Disbursements as of February 28, 2006

