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Geneva, 13 May 2008

Dear Mr. Goncalves,

As you may have read, a Trust Fund Manager has been selected for the EIF Trust Fund, and the Trust Fund will thus soon be operational. This letter is intended to give you and your colleagues within the government and the donor community a roadmap on how to prepare now for maximum benefits under the EIF.

Below, this letter summarizes the key changes from the IF to the EIF and indicates what steps, in our view, Timor-Leste could take in order to get ready to benefit to the fullest from the EIF. Please note that a document commonly referred to as 'Compendium' explains in more detail than this brief summary the provisions for the EIF. The English and French versions of the Compendium can be found at

http://www.integratedframework.org/files/Compendium_182_08_ENG.pdf and
http://www.integratedframework.org/files/fr/Compendium_182_08_FR.pdf.

We have started to prepare a concise set of guidelines that will provide detailed guidance to the beneficiary countries regarding the – simplified – procedures for the EIF. The Compendium and these guidelines, together with hands-on explanations, can be made available at an EIF familiarization workshop specifically tailored to the needs of Timor-Leste and would be useful to the local IF stakeholders. We, at the IF Programme Implementation Unit at the WTO, can facilitate the organization of such an event upon your request to us by assisting you in identifying funding and partners and coming up with an agenda for such event.

The enhancement of the IF aims at

- 1) providing increased, additional and predictable resources to beneficiary countries
- 2) developing stronger in-country capacities to manage, implement and monitor the IF process; and
- 3) improving the IF governance structure at the global level.

The increased resources from the EIF Trust Fund will be made available to the beneficiary countries through the so-called Tier 1 and Tier 2. At the September 2007 High-Level Pledging Conference in Stockholm, Sweden, donors earmarked funds for the EIF for a five-year period. This will allow countries to draw up an EIF Programme for the entire period, rather than focus on individual projects. As you probably already know, Tier 1 funds can be used to:

- (a) build the capacity for, and provide operational support to, National Implementation Units (NIU; typically small units working under the supervision of the Focal Point);
- (b) finance updates for the Diagnostic Trade Integration Study (DTIS); and
- (c) support activities to facilitate and support trade mainstreaming.

Tier 2 funds are available to finance selected priority actions identified in the DTIS Action Matrix.

Building stronger in-country capacities to manage, implement and monitor the IF process is reflected in the provision to finance, through Tier 1, National Implementation Arrangements (NIAs). Specifically, countries are expected to set up NIUs to assist the Focal Point in coordinating among the various government agencies and the private sector on trade and IF issues, helping with donor coordination, and preparing and implementing projects, as well as monitoring the overall progress of the IF process in country. Financial support to NIAs/NIUs is set at a maximum of US\$300,000 per annum over the EIF programming period of five years, i.e., a total of US\$1.5 million.

The improved IF global governance structure foresees an EIF Secretariat in Geneva, headed by an Executive Director and comprising staff that will collaborate closely with beneficiary countries on the IF process. The Programme Implementation Unit, PIU, on behalf of which I am writing today, is the seedling for the future Secretariat.

As the EIF will become operational, Tier 1 and Tier 2 funds will be forthcoming, and we would recommend that you start drafting an indicative programme for Timor-Leste. Please note that while the DTIS is not yet completed, you will only have access to Tier 1 funds, so we would expect a Tier 1 programme including the following elements¹:

- National Implementation Arrangements including the set-up of an NIU (up to US\$1,500,000 with a maximum of US\$300,000 per year);
- pre-DTIS support: up to US\$50,000 for newcomers in the IF process;
- preparation of a DTIS: up to US\$400,000 for LDCs where the DTIS has not been prepared yet;
- trade mainstreaming – how is this to evolve over the next five years? This is a particularly important aspect, since trade mainstreaming is one of the prerequisites for Timor-Leste to benefit from the larger Aid for Trade initiative;
- the Donor Facilitator is a key figure in the in-country implementation of the IF/EIF, and it is thus, in our view, a priority for Timor-Leste to confirm a Donor Facilitator committed to supporting the IF process in its enhanced phase.

Please note that you can submit your programme to me for comments any time, and the PIU (or in the months ahead, the EIF Executive Secretariat) will be ready to receive your Tier 1 project proposals for processing from mid-June onwards; draft proposals may be sent for comments before that date.

¹ This list is not exhaustive and only a suggestion - please introduce, in consultation with for example the NSC, other elements.

Please note that developing a programme is by no means a prerequisite for Timor-Leste to progress into the EIF. All IF beneficiary countries become automatically EIF beneficiary countries when the EIF is operational.

Right now, in addition to the preparation of a Tier 1 programme, Timor-Leste could start formulating concrete project proposals for Tier 1 funding so as to be able to start benefiting from the fresh resources as soon as they will be made available.

As in the past, we will keep you posted on any developments of the IF through our newsletters. You may also consult the website (www.integratedframework.org) for more in-depth information. And, of course, the PIU is always ready to assist you from Geneva, or – upon request – through a visit.

Thus, please do not hesitate to contact the PIU for further questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sari Laaksonen', followed by a long horizontal line extending to the right.

Sari Laaksonen
Deputy Coordinator
Programme Implementation Unit
Development Division

cc: Ambassador Dr. A. M. Maruping, Chairman of the IF interim Board