



Annex 10 to UNDP Timor-Leste
Programme Package Document

Community Development and Local
Development Fund (LDF)

August 2003



LOCAL DEVELOPMENT FUND FOR RURAL COMMUNITIES IN TIMOR LESTE

This is a Local Governance part of the report of the UNDP Poverty Reduction and Employment Generation mission conducted early 2003. It includes, in section 6, the draft project concept for Local Development Fund for Rural Communities. The document gives a comprehensive background and illustrates how this initiative fits in overall poverty reduction efforts and policy developments within UNDP's strategic areas of intervention.

There is a constitutional and political commitment to decentralize and establish elected local governments as a basis for improved service delivery, community-state interaction, accountability and empowerment of communities. The UNDP in partnership with Ireland is supporting the Government on a study on decentralization options. The study draws upon the lessons learned from the successes and failures of a number of interventions including the Community Empowerment Project (CEP) funded through TFET and administered by the World Bank.

Despite the many problems of its institutional framework, the CEP already demonstrates that this approach is feasible in Timor-Leste. However, the next generation block grant mechanism will need to be designed in light of the emerging local government framework and together with national and local authorities, and with interested donors, so as to act as a forerunner of an institutionalized centre-local fiscal transfer mechanism, to ensure sustainability.

A financing mechanism called the "Local Development Fund (LDF)" is planned to be established from which annual/multi-annual block grants would be allocated to (future) local governments and, through them, to Sucos (villages) and communities. The amount of these grants would be related to population size and, as far as feasible, to relative poverty of the area or community. They would be untied and open for expenditure on any investment on agreed menus at suco and local government levels; made available subject to compliance with agreed measures of performance (e.g. financial accountability and pro-poor orientation), which will be reviewed periodically; and disbursed to local governments and to sucos as far as feasible, who will undertake their own procurement, with appropriate support.

LOCAL GOVERNANCE & POVERTY REDUCTION IN TIMOR LESTE

DRAFT FINAL REPORT¹

1. PREAMBLE: AN OVERVIEW OF POVERTY ISSUES IN TIMOR LESTE & AN OUTLINE STRATEGY FRAMEWORK

Before examining specific Local Governance issues in and strategies for Timor Leste it is useful to step back and look at the broader context within which this is placed.

1.1. A BROAD VIEW OF POVERTY PROBLEMS IN TIMOR LESTE

This report makes no attempt to summarise the ample documentation on development and poverty problems in Timor Leste. But what does clearly emerge is the wide-ranging nature of problems faced by poor Timorese, which extend far beyond the more conventional notion of “income or consumption” poverty, important as this is; and farther still beyond its subset of “unemployed-related” poverty².

There are many ways of categorizing poverty problems³, and a range of terms can be used to refer to different facets: income, consumption or economic poverty; human poverty, or lack of access to basic services; unsustainable livelihoods; disempowerment; and so on. And these in turn can be related to more basic concepts of “human capabilities” or “human rights”⁴. This at times bewildering array of terms is all too often discussed without clear relation to strategy and action.

Precisely in order to provide practical building blocks for a UNDP operational strategy on poverty reduction in Timor, this report proposes the use of a few key categories:

a. Income & Consumption Poverty Problems. These are problems which essentially derive from one or other of two problems:

- 1. Outright unemployment – i.e. no employer and/or no productive assets for self-employment. Evidence suggests that this is primarily an urban phenomenon in Timor Leste; there is also evidence that not all unemployed are necessarily poor.
- 2. “Under-employment” – i.e. low, variable and risky returns to self-employment, primarily in agriculture and related activities in the rural areas.

b. Human or non-Income Poverty Problems. These are equally real and specific problems, and which are often closely inter-related with Income & Consumption Poverty. They may be divided into three sorts of problem:

- 1. Difficulties in Accessing Basic Services – i.e. excessive cost/distance and/or poor quality or unreliability of basic health, education, water, sanitation services needed for basic human welfare and “human capital” formation.

¹ This report was prepared as an input to the Poverty Reduction & Employment Generation Strategy mission for UNDP Timor Leste, following a mission to Timor Leste from 29 January to 20 February 2003.

² This evidence is itself endorsement of UNDP’s own pioneering effort (as exemplified in the Human Development Report) to broaden the more conventional focus on the “income and employment” dimension.

³ See, for example, the recent OECD/DAC Guidelines on Poverty Reduction which provides a thorough discussion of these issues and which is regarded by most donor agencies as the authoritative statement.

⁴ Following the seminal work of Amartya Sen and John Rawls.

- 2. Insecurity and Vulnerability to Violence – i.e. lack of protection from abuse, intimidation and violence; lack of redress or resolution of disputes (eg over conflicting land and property claims); etc.. This is a special problem for women.
- 3. Disempowerment – i.e. lack of involvement in or even information about local public or community decisions, and lack of opportunity to voice own opinions and be heard. This problem is especially acute for rural dwellers, and for women.

1.2. AN OUTLINE STRATEGY FRAMEWORK

Using these building blocks we can then map out a Framework which - for each of the Poverty Problem areas - highlights:

- The priority it has been assigned by Government in the NDP and related policy statements, such as the Council of Ministers' Statement of Priorities (January 2003);
- The types of constraint or challenges to be addressed for each of these (e.g. problems in the policy, legal or regulatory framework; problems in the institutional framework; problems of financing; problems of technology; problems of human resources, skills, incentives; and so on);
- The current activities of Government and donor partners in addressing each of these, and possible gaps;

It will thus be clearer where UNDP should focus (and focus is now key to end the current unstrategic proliferation of UNDP project activities) in its efforts to support poverty reduction, in light of:

- UNDP's own specific comparative advantages, and disadvantages, and its primary vocation as advocacy and advisory agency for pro-poor policy & institutional development (rather than as "super-NGO");
- The avoidance of duplication, and the scope for forging partnerships with other agencies and mobilizing resources.

The Matrix overpage is a suggested Tool within which to conduct this sort of exercise. This Report will return to this Matrix later, and suggest its use in framing the role of Local Governance support activities within the broader framework.

TENTATIVE FRAMEWORK: MAPPING OUT THE POSSIBLE UNDP STRATEGY AREAS

POVERTY DIMENSION -> PROBLEM AREA ->	a. INCOME POVERTY		b. NON-INCOME OR HUMAN POVERTY		
	a.1 UNEMPLOYMENT esp Urban youth, veterans	a.2 UNDER-EMPLOYMENT & LOW PRODUCTIVITY esp Agric/Rural popn	b.1 LITTLE ACCESS BASIC SERVICES (H, E, W ..) General, esp Rural areas	b.2 CONFLICT & INSECURITY General, esp Women	b.3 DISEMPOWERMENT & EXCLUSION FROM DECISION MAKING General, esp Rural areas & Women
BROAD GOAL	Provide Formal & Informal sector opportunities	Raise Agricultural productivity & rural non-agric opportunities	Improve effectiveness of basic service delivery, esp in rural areas	Protect against abuse & violence, clarify rights	Improve local governance, decentralize decision making, involve communities include women
NDP Exec Summ. Paras ->	12, 21, 24, 44	11, 12, 14, 24, 48	22, 23, 24	25, 45, 46, 47	20, 41, 42, 43, 46, 50
CoM Statement of Immediate Priorities ->	4.	5., 6.	7., 8.	2.	1.
CHALLENGES & CONSTRAINTS TO ADDRESS					
DONOR SUPPORT: OVERLAPS OR PARTNERSHIPS					
OPPORTUNITIES FOR POLICY OR INSTITUTIONAL SUPPORT					

2. LOCAL GOVERNANCE: ITS POLITICAL & DEVELOPMENTAL SIGNIFICANCE IN TIMOR LESTE

The previous Section aimed to provide an overview of the broad array of Poverty problems facing Timor Leste, and an outline framework for UNDP to conduct its strategic analysis and programming for Poverty Reduction. Where in all this is the importance of Local Governance?

Timor Leste is a very poor country, emerging from years of internal conflict and trying to build up the basic State and non-State institutions of good governance. In this context the question of Local Governance assumes special importance, for several distinct reasons.

2.1. NATIONAL POLITICAL & POLICY COMMITMENTS TO LOCAL GOVERNANCE

Firstly, Local Governance is important simply for Constitutional and political reasons.

Constitutional Provisions

The Constituent Assembly tasked with writing East Timor's Constitution in 2001/02, addressed the issues of local government and decentralization in a number of sections of the **Constitution**. Specifically Section 5 outlined below states:

- 1. On matters of territorial organisation, the State shall respect the principle of decentralisation of public administration.*
- 2. The law shall determine and establish the characteristics of the different territorial levels and the administrative competencies of the respective organs.*
- 3. Oecussi Ambeno and Atauro shall enjoy special administrative and economic treatment.*

In addition, in Section 63 which covers participation by citizens in political life, the Constitution states:

- 1. Direct and active participation by men and women in political life is a requirement of and a fundamental instrument for consolidating the democratic system.*
- 2. The law shall promote equality in the exercise of civil and political rights and non-discrimination on the basis of access to political positions.*

Through Article 72, on the question of Local Government, the Constitution states:

- 1. Local government is constituted by corporate bodies vested with representative organs, with the objective of organising the participation by citizens in solving the problems of their own community and promoting local development without prejudice to the participation by the State.*
- 2. The organisation, competence, functioning and composition of the organs of local government shall be defined by law.*

Current Political Commitment

The President has also shown concern with the issue of local government, identifying its absence as causing a vacuum in rural areas that must be filled by representation at local level. In his speech to mark 100 days of independence, he said:

'....there is no mechanism of communication with the grassroots and therefore they are easily manipulated by third partiessome district administrators and some sub district coordinators also reveal lack of direction and do not know what they should do and should not do.'

Further to this expressed political concern, the National Development Plan of May 2002 on the issue of Decentralisation and Participation commits the Government to:

- A. *Study and introduce an optimal sub-national configuration conducive for development as well as service provision in conjunction with stakeholders;*
- B. *Study and delineate the levels of administrative hierarchy down to the community that will facilitate cost effective and efficient service delivery and enhance community initiative and participation;*
- C. *Study options for effective decentralisation that clearly define the role of central, regional, local and community, and civil society organisations and entities; empowers communities and strengthens transparency and grass roots democracy.*

Recent Statement of Immediate Priorities by the Council of Ministers

More recently still, the Statement of Immediate Priorities by the Council of Ministers (January 2003) pointed to the importance of “Strengthening the respective institutions of the State and legitimizing the local authorities at the Suco level first”.

2.2. THE SIGNIFICANCE FOR POVERTY REDUCTION

Secondly, local government and community institutions potentially can play a critically important role in addressing various poverty-related challenges, especially in rural areas. There are several distinct dimensions to this “poverty reduction” role.

a. Local Economic & Social Infrastructure & Services (Goals a.2 & b.1)

Types of Investment required. The NHDR, the NDP and the Poverty Assessment all point to the importance of investment in (new and rehabilitated) basic infrastructure, esp in the rural areas. The current mission endorses this and further articulates these recommendations (see Chapters on Agriculture and). While some of these investments will be funded through the market, the bulk of what is required – and especially in rural areas - must be funded by “public action”, i.e. by Government and/or donor agencies (due to the inherent “merit good” or “public good” nature of these investments).

Local “Public & Community” Goods & Services for Poverty Reduction in Timor Leste

Economic Infrastructure. There is need for considerable future investment in such “enabling” infrastructure⁵ as:

- small irrigation works – to raise returns to agriculture, through improved water control, allowing greater crop intensity, crop diversification, use of inputs, etc, so reducing rural under-employment;
- rural roads (linking aldeias & sucos with posto and District Hqs), & bridges, culverts and drainage structures which provide connectivity within this network – to improve market access & allow the emergence of regional comparative advantage, & also improve access to social facilities, and circulation of people and ideas;
- market facilities – to reduce the transaction costs of market exchange, and yield non-farm employment;
- storage & processing facilities - to yield non-farm employment, improve returns to agriculture, encouraging industrial crops, and to reduce manual processing drudgery (esp for women);
- community nurseries – to extend new/improved perennial varieties, allowing farm diversification & enhanced incomes, improved forest cover, etc;

⁵ Both new infrastructure & rehabilitation of existing structures.

- catchment protection & other anti-erosion measures – to protect the resource base, maintain/enhance land productivity, esp in fragile, steep slope areas of the highlands.

Social Facilities. Similarly, the analysis of problems faced in accessing basic services (health, education, water, sanitation, etc) points to the need for investments in expanding the network of facilities (health posts & mobile clinics, & their equipment/drugs; primary & junior high schools, furniture and books; wells and/or gravity systems providing clean water; etc).

Role of Local Government & Community Institutions in “Provision”. What most of these investments outlined above have in common is the characteristic of local Public or Community good. As such, they require public (co-)funding, and thus a publicly accountable “agency” to oversee their planning and delivery, and to be accountable for quality and results.

It is worth recalling that (unlike goods produced through private operators through the “market”) the delivery of such goods comprises 3 separate sets of functions⁶:

- **“Policy-making”** (setting overall service and technical standards, determining possible cost-recovery arrangements, etc)
- **“Provision”** - planning, budget execution & procurement, & assuming public responsibility for service quality
- **“Production”** - actual design, construction and operation of the infrastructure or the social facilities.

Different institutions and agencies possess different comparative advantages in these functions. Thus, central Ministries are clearly the appropriate agency for most “Policy-making” functions; and private firms or specialist NGOs (and, in cases, where no outsourcing opportunities exist) for technical line departments) for “Production” functions.

But there is considerable international evidence that representative local government – where it exists - has a potentially strong comparative advantage in the Provision role, as compared to both central government and to NGOs. This derives from the fact that local government benefits from:

- Statutory **mandate and permanence**, as compared to the more transient nature of NGOs, usually reliant on the vagaries of donor funding.
- Better **information** on specific local needs and priorities than central department staff;
- Stronger political **accountability** of locally elected representatives – than central officials or NGO staff - who have to answer to their fellow community members whom they see regularly;
- Wider geographic or community **remit** than many NGOs who often have a more partial target group or target area;
- Better ability of local governments to integrate investment planning and recurrent budgeting of public expenditures than NGOs, and to exercise political authority over frontline service delivery staff, better ensuring **sustainability**.

There is currently no elected local government in Timor Leste, but – as noted – there are commitments to move in this direction. Once created - potentially – elected local government bodies can “provide” the sorts of Public and Community investment required for poverty reduction in rural areas, specifically to promote **Goals a.2 and b.1** in the Matrix outlined above:

⁶ Note that the terminology used to make these distinctions varies between authors and agencies, and can cause confusion. For example the forthcoming WDR 2004 on Service Delivery misleadingly conflates Policy-making and Provision under “Policy”, and refers to Production as “Provision”.

- More effectively – by matching plans and budgets better to local needs and priorities (albeit within the broad Policy guidelines established by central government);
- More efficiently – by overseeing budget execution and procurement (from local private firms or NGOs) more closely, better mobilizing local community groups, etc;
- More sustainably – by better integrating investments with the necessary recurrent budget and staffing commitments (esp for social facilities), and by being directly answerable to local user-complainants for problems in service whose voice is otherwise usually unheard.

This said, elected local governments are no magic bullet, and can only play their potential role with proper support, proper resources, and within a framework of appropriate incentives; in collaboration with local community groups and CSOs, and private agencies; and with close mentoring and monitoring, rather than excessive interference, from central government.

b. The Importance of Locally Managed Rules & Dispute Adjudication (Goal b.2)

Another important role for local institutions is in provision of security against abuse and violence, and in providing resolution of disputes (eg over property, land, water). These problems are important from a poverty perspective for at least two distinct reasons:

The Quality of Life – especially for women

Firstly, and quite simply, the fear or the actual perpetration of acts of abuse and violence are a major source of concern for local residents and undermine the basic quality of human life, for women especially. They also constitute a major inhibition on movement, especially by girl-children and women, and after dark, thus limiting both economic activity and social interaction.

Many of the Poverty surveys allude to these sorts of problem. The mission itself gathered anecdotal evidence to confirm the importance of this:

Anecdotal Evidence of the Mission

Los Palos – residents complained that gangs of youths prowl at night, intimidating people, throwing stones, breaking into houses, killing domestic animals. They alleged that local police were unwilling or unable to control this.

Ainara – the sub-District coordinator reported a recent significant increase in violent and sexual crime in the area, and that there were no adequate policing, staff or tribunal arrangements to deal with the problem in the District, let alone in the sub-District.

Property Rights and Tenure

Secondly, there are important problems deriving from unclear private and customary property rights, especially to land, water and forest resources in rural areas⁷, and to land and property in urban areas. These problems derive from overlays of different colonial legal frameworks, from settlement by Portuguese and latterly Indonesian “transmigrasi” settlers, from population displacements and refugee movements during the conflict, and so on; and, quite simply, to the loss of documentary records in 1999.

Current work in the Department of Lands and Property is making progress at resolving these problems in the Urban areas, but there are no immediate plans to address the inherently more complex web of state/customary/private land disputes in the Rural areas.

As long as these disputes remain unresolved they will undermine incentives for investment (eg in improved Natural Resource Management, in irrigation systems, in coffee or tree crops, in erosion

⁷ These issues are well described in “Customary Property Rights & Agricultural Production: a tale of two sub-Districts in East Timor” by Joao Saldanha and Paulino Guterres, East Timor Study Group, Oct 2002.

protection, etc) for more productive and more diversified agriculture by poor farmers and so will limit poverty reduction efforts (re **Goal a.2**) in the rural areas. They also at times complicate even the construction of basic social infrastructure, re **Goal b.1** (the mission learnt of school construction which had been halted in Los Palos due to a land dispute).

Potential Role of Local Institutions in Dispute Resolution & Judicial Administration

Here is then another area where local institutional development is needed for improved local governance. On one hand, the effectiveness of traditional dispute resolution mechanisms has in many cases been eroded in recent years, and is often inadequate to deal with the range of problems. On the other, formal judicial recourse procedures – administered at District HQ level (and, currently, not even in all District Hqs) - are often too distant, rigid, costly and time-consuming for many of the sorts of problems faced by rural communities, outlined above.

It is worth noting that the Suco survey revealed that the modal travel time between rural residence and District HQ to be 2-4 hours; but for many residents it can be as long as a whole day or more, especially in the highland areas and in the rainy season (when travel may simply be impossible in some areas). The travel costs – and the opportunity costs – of a return trip of 2-3 days travel time are likely to be prohibitively expensive for poor rural litigants, especially when the chance of being able to meet anybody able to help them and of resolving the problem are far from certain even once they get to District HQ.

There is then need and scope for devising simple systems of dispute resolution and redress to be administered by future local authorities, building on traditional and customary procedures and harmonizing these with more formal judicial procedures. This would contribute greatly to improved Local Governance in Timor Leste and contribute to Poverty Reduction **Goal b.2**.

c. Empowerment & the Importance of Access to Decisions & Information (Goal b.3)

Thirdly, there is a key need to promote institutions of local governance which provide much greater interaction between citizens of Timor Leste – and their various community groups and civil society organizations – with the machinery of state administration.

Currently, Timorese – especially in the more remote, rural areas – are very poorly informed on local public affairs and the activities of District departments, or of donor or NGO projects in their areas, let alone of government in Dili. Outside of a few communities “targeted” by NGO/donor projects here and there, and of the CEP (see further below), there is scarcely any occasion for ordinary people to influence local planning and resource allocation, to provide input, to voice opinions or complaints about service delivery, etc.. If this is a general problem for rural residents, it is a special problem for women whose voice is rarely heard even when consultative or participatory fora are organized. Such disempowerment is generally regarded as one important dimension of poverty – see **Goal b.3**.

This is an important social and political problem in itself, yielding frustration, apathy, and alienation from the state and the current government in power.

But this “disconnect” is also a problem for the effective and efficient planning and delivery of the sort of Economic and Social goods and services outlined further above, and which are necessary for **Goals a.2 and b.1**. If provision of local infrastructure and services is to match the variable and context-specific local needs and priorities people from the locality need to be closely involved in the process; if service-delivery personnel (teachers, healthworkers, extension agents) are to perform in an accountable manner, the users of their services need a say in monitoring.

These are again “developmental arguments” for the importance of building more democratic institutions, to ensure that resources and personnel for poverty reduction efforts are effectively, efficiently and accountably deployed.

3. LOCAL GOVERNANCE: CURRENT ISSUES & PROBLEMS TO ADDRESS

The last Section argued that addressing Local Governance issues is key for several distinct developmental and political reasons: as an essential part of a broad-based poverty-reduction strategy, and also to build up the institutions of a legitimate and responsive democratic state. What then are the issues to be addressed in a local governance support programme?

3.1 LOCAL GOVERNMENT: THE CURRENT POLICY & INSTITUTIONAL VACUUM

General

The destruction and disruption of recent years left Timor-Leste with no functioning government apparatus, and during the UNTAET period the main focus was on building up the core functions of the central administration. The present configuration of sub-national government remains that inherited from the pre-1999 period, and reflects the legacy of interactions between the traditional system and those imposed by the Portuguese and Indonesian colonial administrations, with some modifications in the UNTAET period.

Currently, at central level the Ministry of Internal Administration has overall responsibility for local government affairs, with day-to-day oversight by the Administrative Department for Local Government & Development (one of several Ministerial Departments). However, the mission learnt that oversight of ADLGD will soon be transferred to the Deputy Prime Minister.

- Below national government there are 13 Districts (or *kapupaten*) managed by a District Administrator and with District offices of the main Ministries.
- Districts are sub-divided into 67 sub-Districts (*postos or kecamatan*), managed by a sub-District Coordinator, and which are the lowest level of government administration.
- Sub-Districts in turn are sub-divided into 442 Sucos⁸ (*desa* or village), and these into 2,336 Aldeias (*dusun* or sub-villages), both units managed by “chiefs”, under “community” arrangements.

While some of the Suco chiefs were elected, there are no elected local government bodies at any of these levels and so the sub-national government structure is essentially a deconcentrated (rather than a devolved) system.

The review and redefinition of the policy and institutional framework of sub-national government, the representative mechanisms at each level, the service delivery roles, the fiscal powers and responsibilities, etc, is now a matter of national priority. The ADLGD has been charged with developing policy proposals for national review and adoption in 2003, with emphasis that this be undertaken in a fully consultative manner.

In the meantime, pending this policy review, Government is also concerned to press ahead with basic capacity building at sub-national level and the 2002-3 Budget provides for recruitment of 150 additional staff for District and sub-District levels, remuneration for Suco Chiefs, basic training, establishment of communication & arrangements, etc..

⁸ Formerly 498 Sucos.

Current Institutional Arrangements at Local Level

Districts

The District Administrator heads the District administration. The DAs were appointed during UNTAET after a screening and selection process.

The DA, who reports to the MIA, runs an administration comprised of:

- Staff directly under his/her authority:-
 - the Dpty DA, the District Development Officer (DDO), Personnel, Finance & support staff
 - the sub-District Coordinators deployed in the sub-Districts
- Departmental staff under the DA's loose supervision but who are primarily accountable to the parent ministries in Dili: Health, Education, Agriculture, Water & Sanitation, Land & Property, Public Works, Civil Registration, Police.

The Typical Setup: Manatuto District Administration

District Administrator – post vacant

Under direct DA authority:

Dpty DA – 1 (who serves as Acting DA)

DDO – 1

Personnel – 1

Finance – 2

Adm Assts – 2

Security Guards – 12

Power – 3

Sub- District Coordinators – 6 (this is changing – see below)

Under loose coordination:

Public Works – 1

Land & Property – 1

Water & Sanitation - 3

Agriculture – 5

Education – ? staff and 200 teachers

Health – 5 staff and 90 sub-District health workers

Civil Registration – 2

ETPS (police) - 97

Many skilled staff at District level left in 1999.

A recent innovation has been the institution of a District Coordination & Development Committee, chaired by the DDO, and comprising Department Heads, sub-District Coordinators and 2 members of each sub-District (CEP) Council (see sub-section on CEP further below). While this is a good move towards coordination, it is far from ideal as a basis for integrated planning and service delivery:

- As noted, in the last analysis, District departmental staff take orders from their Ministry superiors in Dili, (rather than from the DDO or even from the DA);

- District departments themselves have virtually no discretionary authority, since Ministries in Dili determine priorities, activities, budget allocations, etc.;
- The DDOs will also face a problem in exercising authority over the future sub-District Administrators, who will be at a higher Civil Service grade level (level 5 as against the level 3 of the DDO).

Sub-Districts

The current sub-District Coordinators, who until the time of the mission were the lone civil servants at this level, were appointed by UNTAET after a selection process.

The staffing at this level is now changing. Government is concerned to increase the status and presence of the administration at sub-District level and has just recently been selecting candidates for the newly created post of sub-District Administrator⁹ (as noted at level 5). Of these, 10 have been recruited from the former sub-District Coordinators.

The sub-DA will in turn supervise two staff: a Local Governance Officer (which role will be filled by the former sub-District Coordinator) and a Community Development Officer (which posts have yet to be filled).

The sub-District Coordinators have simple office premises, but no vehicle. Those whom the mission met all reported their frustration at an inability to respond to the overwhelming problems in their areas, due both to an unclear authority and no resources. They were also clearly suffering a great deal of uncertainty about their future role, and unease about their loss of authority in their areas and future working relations with their new bosses.

Sucos

The authority here is the Suco Chief. These were appointed or – in some cases – “elected” or “selected” locally in 2000, during UNTAET period, replacing the previous CNRT-appointed chiefs. The present Suco Chiefs appear to enjoy greatly varying local authority and legitimacy, largely depending on the role they played during the resistance and the extent to which they were backed by CNRT.

As of January 2003 the Chiefs now receive a \$ 50 monthly stipend to cover expenses (backdated to June 2002); they generally have a simple office, but no other equipment or vehicle.

Typical Suco Chief activities

- Traveling between the Aldeias and consulting with communities
- Organizing weekly meetings with Aldeia chiefs and other key people on local problems
- Liaising with the sub-District Coordinator and reporting problems (eg of food insecurity, of service delivery failures, of natural disasters)
- Briefing Aldeia residents on security issues (esp in border areas)
- Discussing and trying to resolve land and other disputes
- Helping plan and organize community involvement in any donor/NGO schemes which may be operating in the area

Here too, the mood that the mission encountered amongst Suco chiefs was one of frustration at their inability to respond to the problems and complaints of Suco residents, and the lack of support they receive from Government. They are also suffering from some uncertainty as to their role and whether they are to act as officials of the administration or as representatives of their communities.

⁹ This process is also interpreted in many quarters as a way of ensuring closer FRETILIN control at this level.

The Government is considering the organisation of elections for Suco chiefs later in 2003. Many argue, however, that this would be premature until the desired institutional setup at Suco level is determined following the forthcoming Local Government policy exercise, whose outcome should not be preempted¹⁰.

Aldeias and “communities”

Each Suco comprises several Aldeias or hamlets, each of which, in turn, generally has its own Chief or leader. But, that said, it is hard to sketch a simple country-wide picture of patterns of authority and leadership at this level, which derive from complex inter-relations between customary authorities, liurais and elders, on one hand, and the local CNRT leadership which emerged during the resistance.

Overall Conclusions on Current Local Governance in Timor Leste

The picture drawn out above is one of a policy and institutional vacuum and uncertainty and confusion at the local level:

- Representational arrangements at local level are very weak and uneven – the sole figure with some representative role through which communities in some areas might interact with the state administration is the Suco chief. But in other areas the Chiefs do not have this legitimacy;
- Local line departments are under-staffed and under-equipped, and have no budgetary resources to manage;
- Frontline service delivery staff (teachers, health workers, extension agents) are very thin on the ground, inadequately trained, and operating within a weak framework of procedures, and with weak accountability for services provided;
- The District Administrators can only exercise weak control over these departments and their staff and have no resources of their own; the same is true for the sub-District Coordinators and for the Suco Chiefs;
- Not surprisingly in such a situation, the basic procedures and systems for local service delivery and public expenditure management (local planning, budgeting, procurement, financial management, etc) are simply not in place;
- People generally are simply unsure of what to expect, of where to turn to if they have problems, and of both their own rights and responsibilities and also of those in the administration with whom they – very occasionally – are able to interact.

In a few areas here and there some civil society organizations – and especially the Church and certain NGOs – are able to partly fill this vacuum, by offering support to communities and by acting as channel for grievance and as conduit for interaction with the local administration. But this is only a very partial remedy and – invaluable as are such CSOs for good local governance – it is no substitute for the development of responsive, democratic and accountable institutions of local government.

Of course, given Timor Leste’s very recent emergence from conflict and colonial control and the fact that it has been an independent sovereign state for barely 9 months all of this could hardly be otherwise.

3.2 IMPLICATIONS FOR POVERTY REDUCTION

The situation outlined above is of course well known to the national Government, and is indeed the reason for the impending exercise aimed at formulating the future policy and institutional framework for sub-national government.

¹⁰ This is also alleged to be a move to increase FRETILIN control and to remove the many supposed opposition party Suco chiefs.

It is important to register that these political and institutional problems – until resolved – will **also undermine poverty reduction efforts** in several important ways. The current lack of effective local government means:

Extreme Centralisation

Currently only 7% of budgeting & public expenditure decisions from CFET resources are made at District level; the percentage is indeed even less if all donor resources are taken into account¹¹. This undermines Government efforts at poverty reduction in several ways:

- In **absolute terms** the share of public funds allocated by the central budgeting process to local, rural areas is almost certainly greatly sub-optimal, as central and Dili claims on scarce budgetary resources weigh more heavily than they should;
- The specific sectoral expenditure items are inevitably standardized by central line ministry officials in **ways which do not match the greatly varying local needs and priorities** in the 67 sub-Districts and some 450 Sucos;
- The **budget execution process** is all too easily “blocked” within line ministries, for lack of specific information (e.g. on site locations or land availability for investments, or on many other local context-specific issues) or of nagging political pressure to push the procurement and implementation process of budget execution.

In short, as long as the current centralized public/donor resource management regime prevails, public expenditure for poverty reduction will be less than it should be, will not always be focused on the real local poverty problems, and is likely to continue to be slowly and inefficiently disbursed. **Goals a.2 and b.1** are thus compromised.

Weak Accountability of Deconcentrated Government Staff

Those government staff (District officials, teachers, healthworkers, etc) who are deployed at District and local levels are **not answerable** to local communities or any local elected representatives for their performance. **Absenteeism and malfeasance** (e.g. taking “fee payments”) are thus all too common in such basic services as primary health and education which are key for human development. Goal b.1 is thus further compromised.

Weak Local Integration & Coordination

Activities of District line departments are only **weakly coordinated** between themselves, further undermining efficient use of scarce staff and resources. Although the recent institution of the District Coordination & Development Committee is certainly a step in the right direction, such an administrative arrangement cannot provide the same pressures for coordination on staff from different parent ministries as a local elected political body.

A further problem derives from donor project and NGO activities in the rural areas, often focusing somewhat arbitrarily on specific sub-Districts or Sucos, and which are often managed with little or no coordination – either with each other or with District or Ministry staff.

Again, the net result is inefficient and often inequitable allocation of public, donor and NGO resources for local poverty reduction efforts.

¹¹ See the “Public Expenditure and Accountability Note” by Adrian Fozzard et al for the World Bank, April 2002.

Underutilisation of Local Capacities & Resources

Centralised Ministry procurement inevitably favours large national and international contractors and excludes small local firms and artisans in the Districts, who are thus cut out of opportunities to participate and to generate local employment.

Local Frustration & Apathy

Finally, but not least, for as long as the current situation prevails the tendency to frustration and apathy amongst rural residents will deepen, making it harder for future efforts to develop more participatory approaches to the planning and management of local service delivery and to local collective action.

The recent survey undertaken by the National Democratic Institute highlights the nature of all these problems. The report¹², which highlights findings from a wide-ranging consultative exercise, clearly underlines the problems of the current vacuum in local governance discussed above and the wide consensus on the need for introduction of democratic, accountable and responsive government institutions much closer to communities, especially in rural areas.

“Government Within Reach”: Executive Summary

- “East Timorese almost unanimously support directly elected local government officials at the village level;
- They see a strong representative role for their village level office holders and their primary interaction with government is through these local government officials;
- Village level officials seem to be overburdened with expectations from ordinary east Timorese that cannot possibly be fulfilled;
- There is a belief that village level officials should have strong and mutually supportive roles with sub-national officials above them;
- East Timorese want sub-national officials to be vested with the authority and resources to promote development as well as directly solve a wide range of problems at the local level;
- While they do not use the word, the conclusion could be drawn that ordinary East Timorese support a significant degree of decentralization;
- There is significant support for elected officials at all sub-national levels as well as a process of vetting appointed officials at the district and sub-district level by elected village level officials;
- Almost all communities have poor access to information about government activities;
- Frustration and dissatisfaction with government services is growing;
- There are strong concerns about the lack of jobs, the high cost of education, poor government services to rural areas and a perception that corruption, collusion and nepotism (KKN) are rampant.”

¹² “Government Within Reach: a report on the views of East Timorese on local government”, NDI, Timor Leste, January 2003.

4. EXTERNAL SUPPORT FOR LOCAL GOVERNANCE: A REVIEW

The previous section outlined some of the major challenges to be addressed in promoting good local governance in Timor Leste. What support is ongoing or planned? The following is a very brief and very incomplete review.

4.1. UNITED NATIONS AGENCIES

UNDP has been funding and managing a diverse portfolio of activities, with much attention to supporting national governance-related functions, but nothing to date with an explicit local institutional governance focus. However, there are a number of forthcoming projects which are relevant:

- The partnership with Ireland Aid on the Local Government Policy study and consultation exercise (through which UNDP will manage activities funded by Ireland Aid). This will be undertaken in 2 Phases:
 - Phase 1 – support to determination of policy options and to policy definition (April-June 2003);
 - Phase 2 – later in 2003 (following Government's decision on preferred policy options), support to adoption and implementation of policy, through support to legislation, regulatory frameworks, and to designing a programme of capacity building and preparation of local government elections in 2004.

This offers an excellent entry point for future UNDP support to local governance.

- Two projects to be executed by **UNV** – one in support of CSOs and community capacity building, through teams of international and national volunteers operating from 3 Regional Resource Centres; and the other to promote civic education. These are both sets of activities which can complement future UNDP support to local governance.

UNICEF is involved in supporting both local health and education delivery systems. Of particular relevance are:

- The forthcoming pilot activities aimed at promoting a model of community-managed education delivery through Parent-Teacher Associations, to be grouped under local administrative education cluster areas, which aim to reflect patterns of ethno-linguistic diversity.
- The activities to restore local health delivery and also to put greater emphasis on preventive health (currently neglected by the mobile clinic network), with support from a Brazilian church organization.

The lessons from these efforts at improving local service delivery will need to be fed into future policy on local governance; conversely, the institutional strategy underlying these activities will also need to be modified to take into account the emergence of local government in 2004.

The UN Human Rights Commission is supporting Truth and Reconciliation Commission activities in the Districts and the holding of local hearings whereby crimes committed during the 1999 events are "aired", confessions heard, and apologies and commitments made by the guilty parties, as a strategy to move forward and bring back some degree of local harmony within District and rural communities.

These arrangements may offer lessons on possible future informal institutional arrangements for the resolution of the more chronic kinds of dispute which characterize life in rural communities.

4.2. WORLD BANK

COMMUNITY EMPOWERMENT PROJECT

Overview

The CEP – designed and managed by the World Bank, and funded through TFET - is the most important and ambitious externally-assisted attempt to promote local governance and direct community involvement in poverty reduction in Timor Leste since 1999. The CEP comprises 3 components:

- Community block grants
- Community Radio
- Cultural Heritage

The main interest of the present mission is the Community block grant component. There is ample documentation¹³ on this - the following Box outlines the essential features.

The CEP Community Block Grant component: an Outline

Funding. The total funds allocated under 3 Phases are estimated at \$ 17.2 million, primarily from TFET resources.

Phasing. CEP has been designed in 3 successive annual Phases: I – an Emergency Phase in 2000 with focus on rapid “welfare” investments; II & III – “open menu” phases approved in 2001 and 2002 with switch to more developmental activities. Funding for Phase III ends in 2003.

Institutional Framework. UNTAET Reg 13/2000 provided a frame for “democratic selection” of Councils at Suco and Sub-District levels, for which there have been 2 rounds of election, in 2000 and 2001; the councils elected in this last round having a 3 year mandate. These Councils were to be both “planning bodies” for CEP resources, but also the embryo of future elected local government. More recently, Government has instituted District Coordination & Development Committees (DDO chair, & District officials, s/District coordinators, 2 s/District Council reps each) to coordinate and oversee activities.

CEP has also financed a Project Implementation Unit, with offices & over 100 staff in Dili, the Regions, Districts & sub-Districts, to support planning, implementation and monitoring.

Financing. Under each Phase, notional block grants (proportionate to population) have been allocated to all sub-Districts. Once schemes have been selected/approved within this budget ceiling, cash is then delivered – through the CEP District office & councils – to the Scheme Committee.

Planning & Scheme Selection. A participatory planning & prioritisation process involves aldeias, suco & s/District councils – with schemes selected at s/District level from a notional “open menu”, with use of manuals/tools and technical support from CEP staff. These scheme proposals are reviewed and approved at CEP Dili.

¹³ UNTAET Regulation 2000/13 sets out the local Council framework, the drafting and approval of which were quite controversial and a source of acrimony between UNTAET and World Bank officials (as documented in several articles by Jarat Chopra, former UNTAET Dili District Administrator). The World Bank Appraisal reports for the 3 Phases spell out the rationale, strategy and detailed activities and management arrangements. Project manuals lay out detailed procedures for planning, management, procurement, etc. (many of these operating procedures in turn are developed from the earlier Kecamatan Development Project supported by the Bank throughout Indonesia, including East Timor whilst still under Indonesian colonial rule).

Scheme Implementation. Scheme committees themselves organize implementation, with local labour, whose wage costs are often included in the scheme budget, and procure materials directly from private suppliers. CEP staff provide some technical support.

Strengths & Weaknesses of CEP

The mission is in no position to undertake a full review of CEP. Nonetheless, on the basis of a few field visits and discussions with various people in the field and in Dili certain conclusions emerge¹⁴:

Strengths:-

- a. *Rural focus.* CEP is the only significant programme to have channeled resources to the rural areas where most poor people reside, and nation-wide; this by contrast with the bulk of resource inflows during UNTAET period which barely reached beyond Dili.
- b. *Block Grant Mechanism.* Further, funds are provided to the rural areas as block grants – see Box.

Block Grant Funding

A Block Grant is a budget allocation to a local government or community authority which is (a) a known but fixed amount based on a transparent population-based formula, (sometimes weighted by other variables), (b) communicated before the priority setting/planning/budgeting decisions at that level, (c) for local discretionary use within an agreed range of investment types or, at least, exclusion boundaries, (d) managed under the authority of that local authority (rather than by, say, a line department or NGO).

The advantages of this approach are several:

- They allow communities to decide what they want (rather than whether they want whatever a specialist NGO or rural development project has to “offer”);
 - They provide the discipline of local planning within the “hard budget constraint” of the known allocation – yielding more serious local prioritizing and providing greater incentives for local resource mobilisation to complement the block grant (in contrast to the usual wishlist approach). This also undercuts the unhealthy tendency inherent in usual approaches (where there is no such known allocation) for local leaders to have to lobby for patronage in Dili;
 - They empower the community group as “owner” in the implementation process (in contrast to the more “paternalistic” approach of many projects or NGOs which generally act “on behalf of” communities).
- c. *Planning.* The CEP has developed innovative procedures for assessing and prioritizing community proposals on a consistent and transparent basis. This contrasts with the usual approach to participatory planning which all too often limits itself to needs identification, heedless of the need to prioritise within scarce resources.

Weaknesses:-

- a. *The Councils.* These can certainly be seen as a brave attempt to fill an institutional vacuum, introduce the practice of representative democracy at local level, and to provide the embryo of future local government. However, with the wisdom of hindsight, there were clearly problems of “clumsiness” with this:
 - For an innovation as universally politically sensitive as local government the experiment was simply premature, being devised in the UNTAET period with no national political

¹⁴ Many of which are in no way original, and which simply restate widely-held views in Timor Leste.

authorities in place to give their “buy in”, and with whom to engage in the necessary political consultation and compromise with different stakeholders.

- The prescribed Council “selection process” expressly sidelined the existing local leadership (s/District coordinators, Suco chefes, customary and other traditional leaders), with the aim of “complementing” them, but this proved naive. The local leadership thus tends to stand aside, and to not provide its authority for those scheme planning or implementation functions where the Councils are powerless (e.g. for coordination between aldeias, the organization of local labour or the allocation of land), or to resolve disputes emerging (eg over the attempt to recover credit funds).
- More generally, the fact that these Councils were initially “sold” as the precursors of local government has in itself antagonized Government authorities who see this as encroachment in what should be a sovereign political question and policy making sphere.

In consequence, the Councils are – in effect – seen simply by both local communities and the national government as temporary “local project committees” to facilitate the implementation of CEP, but play no broader role in local governance; and given the origin of these Councils it could hardly be otherwise. Government has rebuffed suggestions that they even be used to facilitate the planning and implementation of other projects (eg the Agricultural Rehabilitation Project – 3rd Phase, currently under preparation by the World Bank).

- b. *The PMU Setup.* CEP implementation relies on a well-staffed PMU. Again, while this was clearly seen as an expeditious option during the UNTAET period, it now causes problems:

- The PMU is only weakly integrated with national Government. The natural “host Ministry” would be Ministry of Internal Administration but senior officials feel uninformed and uninvolved.
- PMU staff at Regional and District levels are similarly only weakly integrated with the deconcentrated administration, who do not always feel fully informed of the CEP planning and implementation process in sectors of their own competence. (One recent remedy for this has been the institution of the DCDC, noted above.)
- Generally, the high salary levels of CEP staff cause resentment.

In consequence, there are serious questions about the sustainability of these arrangements.

- c. *Planning.* The rationale for the community focus is clear, and the CEP was not intent on developing an integrated local planning process. But, in the longer term, there are inherent limitations in a local planning process which is exclusively based on proposals generated within individual Sucos:

- the Suco has inherent limitations as a planning unit, and will lead to a bias to very local, small-scale investments (however well implemented and managed) – neglecting other important, more strategic local public investments;
- Conversely, whatever planning and budgeting is undertaken at District level will be made much more effective and accountable if it is fed by a bottom up process of needs identification originating in the aldeias and Sucos, and monitored by the latter. District plan & budget decisions can then be based on real, local specific information about community needs, variations in conditions or opportunities which are quite unknown to District officials themselves.

In short, a future local planning & public expenditure budgeting strategy for poverty reduction needs to recognize the importance of allowing planning authority at both community/Suco and local administration/government levels (which levels will depend on the outcome of the local government policy review).

- d. *Credit.* Funding of local credit schemes has been a major problem, and recovery has proved very difficult; CEP staff are quite candid on this. This is hardly surprising, since it is unrealistic to expect local community planning bodies to exercise the discipline of sound microfinance. This problem may complicate the activities of genuine microfinance institutions in Timor Leste.
- e. *Labour payment.* It also appears that the budgets of many CEP schemes included provision for wage payment to local labour (and at times at the high \$3/day rates currently prevailing in the government/donor enclave sector). While there are certainly local “public investments” where it is legitimate to pay labour, for most “community investments” this is very bad practice, undermining the incentives for local collective action, and further deepens the already dangerous precedents set by many donors. The Box below outlines the important distinction between these two types of scheme.

CLARIFICATIONS	TYPES OF INVESTMENT SCHEME	
	LOCAL PUBLIC INFRASTRUCTURE	“COMMUNITY” INVESTMENTS
CHARACTERISTICS	Many, diffuse users & no clear or intimate beneficiary group	More clearly defined and smaller, intimate group of users and beneficiaries
ILLUSTRATION	Roads linking s-Districts or Districts; large inter-village watershed protection works; secondary schools.	Small irrigation schemes; Suco roads, trails; village water schemes; community nurseries.
IMPLICATIONS FOR WAGE PAYMENT	Voluntary labour not forthcoming (indeed unfair) & must be paid.	Voluntary unpaid labour is reasonable; indeed paying labour would undermine market & cooperation incentives.

CEP: Future Opportunities

Despite these various problems the CEP has had important merits, noted above. It was however designed in a period of virtual institutional vacuum at the local level. The opportunity now is to build on CEP lessons and devise a successor strategy for providing resources to and empowering communities – esp in the rural areas – but which works as far as possible **with and through the institutions of local government** which will emerge in 2004 (building their capacities and legitimising them), following the impending Local Government policy exercise. (see Section 4. below)

AGRICULTURAL REHABILITATION PROJECT (ARP)

This World Bank project (Phases 1 and 2) has also included Suco block grant components for selected areas of Timor, which have been “tied” to investments in irrigation and natural resource management.

ARP was implemented by a well-staffed Project Implementation/Facilitation team, and seems to have developed planning and implementation procedures which parallel those of CEP.

ARP thus appears to embody both the same merits and the same problems which characterize CEP. Preparation of ARP 3 is currently underway but faces the impasse of the current local institutional vacuum.

The mission proposes that future ARP block grant resources be channeled to communities through the institutions of local government, rather than through a supposedly more expeditious parallel system, but which faces sustainability problems and which also leads to a proliferation of local planning procedures.

Whether there is a case for separate Block grant windows earmarked for “NRM”, “irrigation” and “social infrastructure” is not at all clear and should be a matter for review and consultation; all too often these represent demarcations which make more sense to technical experts than to rural residents.

4.3 ASIAN DEVELOPMENT BANK

Local Government Support

ADB provided support to a consultative exercise involving a range of stakeholders and academics aimed at exploring future options for local government. However, the recommendations of this exercise (to opt for 4 Regional Governments), which was probably premature, proved controversial and the report appears to have been shelved.

ADB is also reportedly providing support for Local Government Capacity Building but the mission was unable to obtain further details.

4.4. OTHER RELEVANT DONOR, NGO & CSO ACTIVITY

Community and Rural Development Support

Several bilateral donors (**AUSAID, USAID, Ireland Aid**, etc) and several International NGOs (**CARE, CRS, OXFAM Australia, World Vision**, etc) are supporting rural development projects in specific Districts with “community development” components. Many of these are projects which have followed on from an earlier emergency relief phase. There are also many **Church** and affiliated religious organizations which are working on one or other aspect of community development and local service delivery.

Perhaps unfairly, the following is an illustration of some of the problems exemplified by one unnamed “community water supply” project which the mission visited.

A “Community Water Supply” Project: some Typical Issues

The mission visited one Aldeia in the eastern part of Timor Leste where a gravity-fed piped water scheme was being installed. On discussion with the Aldeia chief and other residents several issues emerged:

Options. While water supply problems were serious, there were also other problems (distance to the nearest clinic) and opportunities (small irrigation) which might have been candidates as investment priorities had they been allowed to make their own choice as to use of the resources allocated.

Implementation. Progress had been much slower than expected, taking 12 months to complete, primarily because the “promised 4 days per week” engagement of local labour was not forthcoming, reportedly due to other on-farm work commitments.

Operation & Maintenance. Project staff claimed that the aforesaid commitment to provide labour for implementation was also taken as commitment to ensure long term operation and maintenance. But it was apparent that no prior institutional arrangements had been made within the Aldeia to manage and maintain the system once completed, or to fund any future repairs; indeed it was said that this was “government responsibility”. It also emerged that a system had been installed some years previously by the Indonesian government but had fallen into disrepair.

The case outlined above is of course a familiar story, but it serves as a reminder of the challenges that any community support programme must address in Timor, and of some of the design issues that must be addressed.

Research and Advocacy

USAID has commissioned an intensive study of customary land tenure issues to be conducted by the Land Tenure Centre of the University of Wisconsin-Madison, and to begin shortly. The Asia Foundation is reportedly also sponsoring work on local dispute resolution and informal justice administration.

A number of international and national NGOs are also doing important work on broader advocacy issues related to national and local governance. Of special importance is the recent exercise conducted by the National Democracy Institute, already referred to under Section 3. above.

4.5. THE CURRENT ROLE OF EXTERNAL AID FOR LOCAL GOVERNANCE – OPPORTUNITIES AND DANGERS

Most external aid activities were established post 1999 and during the interregnum UNTAET period when the emphasis was inevitably on delivering rapid emergency assistance, and on rehabilitation and the restoration of core government functions.

Against such priorities it is probably **unfair** to have expected much emphasis on supporting the development of institutions of local governance and local government. Not only that but, as the case of CEP illustrates, it would probably also have been **impossible** to do very much in this area, for lack of a sovereign national government (until mid 2002) with which to engage in the political and policy dialogue, and from which to gain the buy-in, which is such an essential element in promoting better local governance.

But now, as the post-emergency phase is receding and the national government is established and has declared its intention to promote democratic local government (see Section 2.1 above) it becomes critically important for the donor community – and especially an agency such as UNDP – to take heed both of the **opportunity** that this represents for providing supportive assistance, and also of the **dangers** in conducting “business as usual” in local or community development support:

Opportunities - the opportunities for providing support are fairly clear, and are developed in following Sections 5. and 6.

Dangers - the dangers in conducting business as usual, however, may be less apparent. Many donors have commitments to support “local development”, whether through rural, agricultural or community development programmes. In setting up these projects there are several dangers:

- There is a very serious risk that donor agencies establish **alternative, parallel provision arrangements**¹⁵ for those local infrastructures and services which will be the responsibility of future local government, and thereby – unintentionally - complicate and seriously undermine effective decentralization of functions to local government, by weakening the legitimacy of these bodies and failing to use opportunities to build capacity within them.

¹⁵ For reasons of “expeditious” delivery, and where local government is claimed to be weak, many donors establish “social fund” or “micro-project” arrangements, which bypass existing or embryonic local government bodies, thereby undermining their legitimacy, capacity and accountability. Furthermore, in reality the parallel arrangements so established all too often prove not to be at all cost-efficient, nor sustainable, but to be very hard to dismantle because of the vested interests created in maintaining the high salary regimes and other perks.

- That aside, there are also dangers in the **proliferation of different local participatory planning systems and different funding windows**. At the limit, communities in the same area may be asked to meet and plan separately for “agricultural problems”, “natural resource problems”, “social service facility problems”, “economic development problems” .. each of which activities focused on accessing its own donor pot of money allocated for that purpose. This is both to impose rather arbitrary distinctions between what to rural residents are usually part of a seamless whole of their local poverty problems, but also to ask people to dedicate a wholly unreasonable amount of their scarce time to participate.
- Finally, of course, each of these projects will usually have its own management and reporting procedures, requiring scarce government staff and staff time, and **misusing scarce local capacities**.

Consequently, agencies such as UNDP which have no major funding commitments of their own to such programmes – but rather a policy-advisory stance in support of Government - need to play an advocacy role within the donor community to guard against such dangers.

Specifically, there now needs to be a **move towards a joint donor strategy** in supporting local development and community support activities which:

- Works as far as possible with and through future local government bodies for those development functions – and for funding support to community groups - which will be part of their remit;
- Works through a common set of rules and procedures for planning, financing, implementing, reporting on and monitoring these activities.

5. PROPOSED UNDP SUPPORT FOR LOCAL GOVERNANCE & POVERTY REDUCTION

The previous sections outlined the importance of local governance as integral part of a poverty reduction strategy in Timor Leste, the current policy and institutional constraints to be addressed, and the activities of donors and NGOs. This section turns to develop a Programme framework (building on that proposed under Section 1.) wherein the various Poverty problems highlighted earlier are related to Programme Goals and Outputs. The specific sets of activities proposed for attaining these, and for promoting Local Governance for Poverty Reduction are then overlaid.

UNDP COMPARATIVE ADVANTAGE

UNDP globally is positioning itself as primarily a policy advisory and advocacy agency, and partner of preference for governments, with a special mandate to press for improved governance and poverty reduction (and within this, to promote a consistent national policy focus on MDGs). This also entails some withdrawal from “downstream activities” of the sort that have no wider policy or institutional significance and that can – all too often – be much better handled by NGOs or other donor agencies (though there are certainly also downstream activities which are critical – e.g. for local piloting of innovative institutional arrangements before they are “mainstreamed” into policy).

The promotion of Local Governance in Timor Leste squares very well with this mandate:

- as argued further above under 2., it has very direct bearing on poverty, especially the sorts of “underemployment”, “service access” and “disempowerment” poverty of the rural areas;
- as also argued under 2., it is clearly a policy area of national importance and concern (the Constitution, the NDP, & the Council of Ministers Statement of Immediate Priorities all bear witness to this);
- Local government reform and decentralization is everywhere an inherently sensitive national policy area in which Government is concerned to work with a partner agency without any obvious “agenda”;
- it builds directly on UNDP ‘s current partnership with Ireland Aid to support the Local Government policy “study and consultation exercise”;
- it is an area where UNDP can bring in very wide international policy experience, through its own global networks and through such agencies as UNCDF.

PROPOSED SUPPORT: A PROGRAMME RATIONALE & OVERVIEW

It is important to be explicit about the logic of the proposed support activities, and to relate these to:

- The underlying causes of poverty they attempt to address;
- The programme goals which derive from this;
- The programme outputs required to attain these goals;
- Other related activities ongoing or planned by other agencies, which should be basis for some degree of partnership, if not actual co-funding within the same programme.

The **Matrix overpage** provides an Overview of these relations within a skeleton logical framework. This is in no way supposed to be a definitive statement. Rather, the purpose is to provide a **tool for discussion** within UNDP and with other partners:

- as understanding of poverty issues evolves,
- as national priorities evolve;
- as the feasibility of different responses becomes clearer;
- and as other potentially related (or substituting) donor activities emerge.

This same Matrix can also be used as a tool for articulating proposals from other mission members.

PROPOSED SUPPORT FOR LOCAL GOVERNANCE: PROGRAMME RATIONALE & OVERVIEW

POVERTY DIMENSION ->	a. INCOME POVERTY		b. NON-INCOME OR HUMAN POVERTY		
PROBLEM AREA->	UNEMPLOYMENT	UNDER-EMPLOYMENT & LOW PRODUCTIVITY	LITTLE ACCESS BASIC SERVICES (Health, Educ, Watsan, etc.)	CONFLICT & INSECURITY	DISEMPOWERMENT & EXCLUSION FROM DECISION MAKING
BROAD GOAL->	a.1 Provide Formal & Informal sector opportunities	a.2 Raise Agricultural productivity & rural non-agric opportunities	b.1 Improve effectiveness of basic service delivery, esp in rural areas	b.2 Protect against abuse & violence, clarify rights	b.3 Improve local governance, decentralize decision making, involve communities include women
CONSTRAINTS TO ADDRESS		<ul style="list-style-type: none"> Low "technology" of agriculture; Poor water control; Difficult mkt access Uncertain NR/land tenure in many areas, weakening investment incentives Storage & processing bottlenecks 	<ul style="list-style-type: none"> Centralised delivery, slow budget exec, weak acctbly local staff, etc Decent. Policy, leg, reg frame vacuum Local admin bodies no authority or resources No decentralized planning, delivery, fin mgm procedures or skills 	<ul style="list-style-type: none"> Trad system eroded; formal system "distant" Decent. Policy, leg, reg frame vacuum Local admin bodies no authority or resources 	<ul style="list-style-type: none"> Decent. Policy, leg, reg frame vacuum for citizen-state interaction Local admin bodies no authority or resources Communities uninformed
PROGRAMME OBJECTIVES		<ul style="list-style-type: none"> Improved transport access within rural areas, and links with market centres; Expansion of irrigated agriculture; Improved storage and processing facilities; Enhanced local capacity to manage NR/land and resolve disputes 	<ul style="list-style-type: none"> Enhanced capacities & resources for decentralized delivery & monitoring of basic services 	<ul style="list-style-type: none"> Enhanced local capacity to resolve disputes & administer law and order 	<ul style="list-style-type: none"> Enhanced opportunities for citizens & community groups to be informed of and participate in local public affairs
PROGRAMME OUTPUTS		<ul style="list-style-type: none"> Decentralized funding mechanism to allocate resources to future LGs and communities for basic infrastructure investments 	<ul style="list-style-type: none"> Decentralized funding mechanism to allocate resources to future LGs with service delivery mandate 	<ul style="list-style-type: none"> Viable local institutions for quick & simple dispute resolution & justice admin 	<ul style="list-style-type: none"> Viable local institutions for local government representation, Effective procedures for community

		<ul style="list-style-type: none"> • Effective procedures & capacities for local planning, management & monitoring of basic service delivery • Viable local institutions for NRM & quick & simple dispute resolution 	<ul style="list-style-type: none"> • Effective procedures & capacities for local planning, management & monitoring of basic service delivery • Effective central capacities to support and monitor decentralized service delivery 		involvement in & monitoring of local public affairs & resource use
PROGRAMME COMPONENTS OR SETS OF ACTIVITIES		<ul style="list-style-type: none"> • Loc Gov Policy Sppt (ph 1 & 2) • Local Development Fund • Local Capacity Bldg for Basic Infra & Services • Central Capacity/Policy Support • Pilot/Policy local NRM Procedures 	<ul style="list-style-type: none"> • Loc Gov Policy Sppt (ph 1 & 2) • Local Development Fund • Local Capacity Bldg for Basic Infra & Services • Central Capacity/Policy Support 	<ul style="list-style-type: none"> • Loc Gov Policy Sppt (ph 1 & 2) • Pilot/Policy Local Judicial Procedures 	<ul style="list-style-type: none"> • Loc Gov Policy Sppt (ph 1 & 2) • Local Capacity Bldg for Basic Infra & Services • Civic Education & Info • Training LG reps & Staff • Supptng ADLGD
POTENTIAL PARTNERS & LINKAGES – AN INDICATION		ARPIII Ireland Aid USAID NRM/land study EU	UNICEF NGOs Ireland Aid	UN Human Rights/Truth & Recn act in Districts Asia Fndtn	UNV-CSO project UNV – Civic Ed project Ireland Aid NDI & other NGOs & CSOs

6. SUPPORTING LOCAL GOVERNANCE: SPECIFIC PROJECT PROPOSALS

The Programme overview above outlined a series of Components (themselves sets of activities) as proposed responses to the poverty problems and to achieve the Goals articulated higher in the Matrix. The next step is to see how these Components can be bundled into one or more discrete Project Proposals.

6.1. OVERVIEW OF PROJECT OPTIONS

The Programme framework in Section 5. sets out a range of possible local governance-related Components or sets of activities which would address one or other sub-set of Poverty problems and derived Goals. Taking into account complementarities these components can be bundled into two Project Options:

PROGRAMME GOALS	COMPONENTS	PROJECT OPTIONS
a.2 b.2	<ul style="list-style-type: none"> • Piloting Local Natural Resource Management Procedures • Piloting More Accessible Local Judicial & Dispute Resolution Mechanisms 	A. Local Dispute Resolution Pilot Project
a.2, b.1, b.2, b.3	<ul style="list-style-type: none"> • Local Government Study: Phases 1 and 2 	B. Local Government Study*
a.2 & b.1 a.2 & b.1 a.2., b.1, b.3	<ul style="list-style-type: none"> • Local Development Fund facility • Local Capacity Bldg for Delivering Basic Infra & Services • Local Governance: <ul style="list-style-type: none"> - Civic Educn & Information - Training LG reps & staff - Supporting ADLGD 	C. Local Development Fund for Rural Communities

*Note: Local Government Study Phases 1 and 2 is already approved and due to start in April 2003.

There are thus three Projects which emerge. Of these, project B is already approved and due to start soon. After discussion with UNDP staff and in light of Government's own priorities it was decided to shelve Project option A. A further reason for this is the fact that UNDP's own Judicial support activities are currently focused on restoration of formal institutions and it was thought that the sort of pilot project currently proposed would stretch capacities too far. But, nonetheless, the mission urges UNDP to leave Project A. option on the agenda for future review, given the scope for complementarity with current activities on the Judicial front, and as an opportunity for partnership with other donors.

The outcome then is Project C. as priority.

**PROJECT CONCEPT C:
LOCAL DEVELOPMENT FUND FOR RURAL COMMUNITIES**

NB. Much of the analysis underpinning this proposal is in Sections 1-5 above.

RATIONALE

Problems to Address:

(1) Poverty is mainly a rural problem, and is mainly due to (a) low returns to agriculture and little non-farm livelihood diversification and (b) limited access to basic infrastructure (markets, roads ..) and social services (health, water, education ..). (2) Further, the colonial heritage and more recent disruption has left an unresponsive local administration, and an effective institutional vacuum for interaction with rural communities. (3) Plethora of donor/NGO activities funding rural development, each with own procedures, straining limited national & local capacities.

Opportunities to Seize:

(1) Constitutional/political commitment to decentralize & establish elected local government as basis for improved service delivery, and community-state interaction and accountability. (2) UNDP/Ireland Aid partnership with Government on Local Government Policy; (3) Lessons learnt from successes and failures of CEP; (4) Scope to establish a transparent centre-local funding mechanism, to funnel donor funds for rural development (and a % future fiscal receipts from oil/gas resources) to ensure sustainability.

STRATEGY

There are several elements to Project strategy:

The **poverty-reduction strategy** is to improve the delivery of basic small-scale public and community investments in rural areas, thereby:

- to enhance farm and non-farm incomes & the overall productivity of the rural natural resource base (irrigation, storage, markets, farm-market roads, community forestation & nurseries, catchment protection, skill training etc);
- to improve access to basic services (primary health & education, water, etc).

Funding of more “private” income-generating investments and/or small credit schemes would be excluded, being better handled by a specialized MFI/NGO (a lesson from CEP).

A final caveat. Many public activities key for poverty reduction cannot be well handled locally. For example, agricultural research, immunization or public health campaigns rarely emerge as priorities from local planning procedures; these sorts of activities will need to be provided by central authorities.

The **institutional strategy** is to ensure that these investments are identified by communities & local bodies, not imposed, and that they are implemented under full community or local government control and ownership, with at least initial external facilitation and support, and will full involvement of the deconcentrated District administration and line staff. It is difficult, however, to be much more specific at the moment on the respective roles of “sucos”, “sub-Districts” and “Districts” in absence of a policy position on the institutional setup and functions at these levels, and without seeming to pre-empt this position (a lesson from CEP).

By building the procedures, systems and skills for more effective local participatory planning and delivery there is also an opportunity to build the capacity and legitimacy of emerging local

government and community institutions, in whatever shape is determined, so helping implementation of the forthcoming local government policy. Corresponding attention will be paid at raising public awareness of the roles of these future bodies through targeted civic awareness and communications activities.

Attention will also be paid to building constructive dialogue and cooperation between future local government bodies and local CSOs and NGOs in their areas, to break down the prevalent mutual distrust. Initially this may not go beyond more structured and systematic two-way information sharing, and provision of services by specialist NGOs for capacity-building and scheme implementation; but later there may be scope for more purposive cooperation in planning and monitoring.

Finally, the project must be managed under the authority of the national government department responsible for Local Government – currently the ADLGD, which will also require support to fulfil this role and to monitor and direct project activities. A broader steering committee (which might be the Inter-Ministerial Political Committee charged with developing local government policy) should have oversight of project preparation and management and ensure that the policy lessons emerging from the project are assimilated.

The **capacity building strategy** is to match the development of local procedures and training of local bodies with the placing of block grant funds under their control – hence to promote “real time” learning by doing¹⁶. This will also be supported by in-building incentives into the block grant funding mechanism to promote compliance with agreed rules and procedures.

The **financing strategy** would be to further develop the “block grant” approach piloted by CEP, but with a more careful eye to institutionalization, with allocations from a centrally managed Local Development Fund (LDF). The institutional level(s) of block grant “recipients” will depend on forthcoming local government policy, but the principle will be to promote subsidiarity and so to allocate resources both to future local governments (for more “public” local investments) and to Sucos/communities (for more “community” investments).

Greater attention will be paid to introducing incentives for improved local performance (e.g. financial accounting, compliance with basic planning procedures, local tax collection effort, compliance with employment rules, etc), through mutually agreed access conditions and “rewards/sanctions”. This funding mechanism will need to be synchronized with the future local government fiscal cycle and – ultimately, some time hence – integrated with local government budget management procedures.

Ideally the LDF facility would be a common mechanism, wherein donors pool funds. A second best interim arrangement is for donors to allocate funds to preferred Districts – but only as long as (a) the same allocation procedures are followed, and (b) Government is able to ensure equitable inter-District resource allocation. After a few years, however, as financial accountability and budget management capacities are established, these resources should be direct budget support. It is also important that Government review the scope for future earmarking of oil/gas revenues to this decentralized funding mechanism, as revenue sharing arrangement¹⁷.

As noted earlier, whether there is a case for separate Block grant windows earmarked for “NRM”, “irrigation” and “social infrastructure” is not at all clear and should be a matter for review and

¹⁶ UNCDF experience of local government support in some 20 countries has shown how important it is to match the more conventional capacity building with real financial resource management responsibility.

¹⁷ There are plenty of international precedents for such revenue sharing arrangements whereby an agreed percentage of a specific national fiscal revenue source is earmarked for distribution to sub-national government.

consultation¹⁸; all too often these represent demarcations which make more sense to technical experts than to rural residents.

A final caveat here too. Absorptive capacities entailed by adherence to participatory local planning & transparent procurement procedures are inherently limited and so the block grants should be modestly sized¹⁹. A further reason for this is the concern that flows be sustainable in the longer term.

A Note on Government's Plan to extend Suco Block Grants in 2003-04

Government is considering the provision of block grants to all Sucos this current fiscal year, as part of its Stabilisation agenda. If this goes ahead, given that this would be taking place within the local institutional and policy vacuum outlined earlier (since the future local government setup would not be in place, and since it may not be considered acceptable to use the CEP setup), the mission proposes that:

- Options on using the DCDC as “planning intermediary” be considered, given the difficulty in dealing directly with 442 Suco chiefs. The DCDC – and the sub-District Administrators who sit on the DCDC – could approach Suco chiefs to indicate their budget allocation and solicit proposals.
- Clear guidance be given on the sorts of expenditure which are legitimate and those which are not (e.g. taking care not to encourage local investments in facilities with unsustainable recurrent budget implications).
- One or two basic measures of good Suco performance be agreed (e.g. basic accounting for funds received) and that it be clear that Suco performance against these measures will factor into whether Sucos do or do not qualify for the Pilot Phase of the project – see below;
- The greatest possible publicity be given – via radio and other means – to communities, on the grant programme and on the funds allocated to each Suco.

The **planning strategy** will be to determine appropriate “menus” of investments/activities which can be approved by future local bodies at different levels, in line with both their mandated functions and subsidiarity considerations. Procedures for both eliciting community input and for ensuring technical screening & appraisal, and transparent and consistent prioritization & selection would be developed²⁰, and progressively extended through trained teams and/or NGOs, together with local government representatives and officials.

It will also be important – over time – to ensure that this local planning process is undertaken not only for use of project block grant funds but **for all financial resources available locally**, through other projects or NGOs active in the respective areas, in integrated fashion. The proliferation of local project-specific PRA and planning procedures, each with eye only on one pot of money, causes confusion, inefficiency and duplication of effort, and strains already scarce capacities. Ultimately, too, the local planning process should be integrated with local government budgeting procedures.

The **investment scheme implementation strategy** will be to further develop the approach promoted by CEP whereby future local bodies and communities are the “clients” and – with assistance – themselves procure technical support and materials they need from private suppliers, government departments or specialist NGOs.

¹⁸ Strictly speaking, the case for such “conditional or tied block grants” is where there is reason to believe that local choice and priorities will undervalue broader goals of national concern (such as environmental goals). Whether this is so is an empirical issue – the presumption however should be in favour of local choice (and a single block grant) unless there is evidence to the contrary.

¹⁹ Indicatively, comparative international experience in other poor countries suggests a range between \$ 1 to \$ 3 per person per year. Much depends of course on local planning, management and also local “supply” capacities, as well as on the range of decentralized functions.

²⁰ Building on and adapting where possible CEP procedures and manuals.

The **employment strategy** will be to distinguish as far as feasible between those investments where wage payment of labour is justified and where it is not, and to devise clear rules on this. In this regard the following rough distinction is proposed:

Distinction: “Public” vs “Community” Investments

- “public investments” are those with a large and diffuse set of beneficiaries, and for which voluntary unskilled labour is not feasible and will not normally be forthcoming (e.g. inter-village or District roads, District hospitals, or secondary schools with a wide population catchment area). Technically complex structures (deep boreholes, large bridges ..) requiring predominantly specialized labour & management – and which must be fully sub-contracted – would also fall in this category.
- “community investments” are those with a more intimate and clearly identifiable set of beneficiaries (eg village well, small irrigation scheme, health post, community nursery) for which voluntary unskilled labour is reasonable and indeed for which paying labour would actually undermine local traditions and incentives for cooperation. Skilled masons, carpenters etc would of course be paid.

Wage employment will thus be a spinoff, secondary benefit rather than a primary benefit of the project.

The **Communications strategy** would aim to ensure wide dissemination of information to the public and communities about overall local government policy, about project aims and procedures, about the amounts of funds allocated and their use, and about the performance of different local government bodies (once again, the Radio Communications component of CEP may be a platform to build on). It will also be important to ensure that national government departments are regularly informed, as well as CSOs and the donor community.

The **Geographic strategy** will be to proceed in 2 Phases:

- A 1st Phase of 18 months during which planning, financing & implementation systems, procedures and training & extension capacities & communications materials are developed (building on CEP procedures) and trialed, along with block grant funding in fiscal 2004-05. This may be on a more limited scale, with focus on selected Districts, consistent with the political feasibility of excluding some Districts for funding for this fiscal year. (The outcome of this weighing of pros and cons will also depend on whether Government’s current plans to extend block grants to all Sucos in fiscal 2003-04 goes ahead; if so, it will indeed be hard to limit funding in the pilot Phase.)

During this phase, civic education for the public on the local government policy and role of local bodies, and basic training in core duties of all future local government representatives (after elections) and officials will also be extended nationally.

- After review and adjustment (jointly, by Government, UNDP and other partners), planning, financing & implementation systems & procedures will then be rolled out to all Districts for 3 more years under Phase 2.

COMPONENTS & ACTIVITIES

The strategy outlined above will be implemented through Activities grouped under **3 broad Components**:

a. A Local Development Fund facility

A funding mechanism will be established from which annual/multi-annual block grants will be allocated to (future) local governments and, through them, also to Sucos. These grants will be:

- Related to population and - as far as feasible - to relative poverty of the area;

- Untied and open for expenditure on any investment on agreed menus at suco and local government levels;
- Made available subject to local compliance with agreed measures of performance (e.g. financial accountability; pro-poor planning) reviewed periodically;
- Disbursed to local governments and to sucos as far as is feasible, who will undertake their own procurement, with support; in cases of more isolate areas it may be necessary for the project team to act as cashier and procurement agent on their behalf.

The CEP – despite the many problems of the institutional framework - already demonstrates that this approach is feasible in Timor. However, the next generation block grant mechanism will need to be designed in light of the emerging local government framework and together with national and local authorities - and with interested donors - so as to act as forerunner of an institutionalized centre-local fiscal transfer mechanism for donor and future Government (oil-derived) funds, to ensure sustainability.

b. Local Capacity Building for Delivering Basic Infrastructure & Services

This covers the series of activities needed to develop and extend the “software” for planning and managing Component a. resources (and, later, other resources available to local bodies), and delivering infrastructure to local communities.

Phase 1 (18 months)

A small technical team/agency will develop, trial and extend procedures, systems and tools²¹ for the following core activities undertaken by communities and local authorities:

- Local participatory planning, to promote greater community involvement in the planning, management and monitoring of basic infrastructure & service delivery, to promote more equitable and transparent identification of and support to poor and vulnerable groups, and to ensure technically sound, consistent and transparent selection of priorities;
- Procurement & Investment implementation, to ensure timely, efficient procurement of goods and services for schemes approved;
- Financial management, to ensure transparency and accountability of fund use, with full information to local communities;
- Monitoring & evaluation of impact;
- Communicating basic information on all of this to the public.

The team will also train local teams of sub-District/suco facilitators/volunteers to extend basic procedures, and who can be employed by local governments on a per diem basis, from an agreed fraction of the block grant allocations²².

This component may be undertaken through one/other NGO and/or through collaboration with the forthcoming UNV-CSO project, which will be establishing teams of volunteers in 3 Districts operating from Regional Resource Centres. The personnel currently on CEP and ARP teams represent human resources whose future utilization needs to be explored in this regard.

These procedures and the extension mechanism will be trialed in the course of the 1st cycle of block grant allocations to 3 or 4 pilot Districts.

²¹ Again, as already highlighted, there is much in the CEP procedures which can be adapted and developed to the future institutional framework at local level.

²² See successful experience in Vietnam, Nepal and Bangladesh, where local bodies use some 5% of local block grants for this purpose.

Phase 2 (three years)

After joint review of Phase 1, procedures and training will be adjusted and consolidated. Extension to other Districts will be undertaken by the same mechanism. The feasible rate of extension to other Districts will also be determined, but the aim will be to cover all 13 Districts by Year 5.

Throughout, the agency/team will work with national and future local governments to ensure the mainstreaming of these activities, and with a clear exit strategy.

c. Local Governance – Capacity Building, Education & Training

This set of activities has a broader aim. Following the outcome of the Local Government Study, and the ensuing policy decisions, local elections and formation of local governments (planned early 2004), there is need for capacity support and awareness raising of a more general nature to help implement this policy. This support – which will be designed as output of Project B. – Local Government Study (Phase 2). - must be extended nationally and is a matter of urgency.

There are 3 sets of activities to be undertaken:

Civic education and information. There is need for a general campaign to raise public awareness of:-

- The role and functions of local government;
- The role and functions of elected representatives and their relations with more traditional authorities;
- Citizens' rights and responsibilities.

This will require development of materials and messages, and use of appropriate media. There is scope for direct collaboration with the UNV Civic Education project and also for contracting of local NGOs, with periodic/short term specialist advisory input.

Training of Local Government Representatives and Staff. Conversely, there will be urgent need for training newly elected representatives and local civil servants in:-

- The implications of the LG policy and the law;
- Roles and responsibilities;
- Interacting with the public and maintaining accountability;
- Management of local government affairs, conducting meetings, keeping records, liaising with central government; etc;
- Gender issues;
- Basic financial management.

This will require development of training and reference materials and manuals. Again there is scope for direct collaboration with and/or contracting of local NGOs, with support of short term/periodic specialist advisory input.

Supporting ADLGD. The role of ADLGD will be transformed after local governments are formed and it will require assistance to assume its new role of policy implementation, supportive oversight and monitoring. This will require:

- Staff training in issues of local government policy and practice;
- Development of training, outreach and monitoring procedures and materials.

This will require short term specialist advisory input.

INDICATIVE TIMETABLE

CALENDAR	2003		2004	2005	2006	2007	2008
FISCAL	02/03	03/04	04/05	05/06	06/07	07/08	08/09
LDF Allocations to Local Governments and (through them) to Sucos		(Government Suco Block Grant programme?)	Pilot Districts or National	National	National	National	Institutionalised (Budget support/GOTL own revenues)
Local Cap Bldg for Infra/Service Planning & Delivery		Pilot Districts or National	Pilot Districts or National	National	National	National	Institutionalised
Local Governance:							
- Civic Educn/Info		National	National	National	National	National	
- Training LGs		National	National	National	National	National	
- Support ADLGD		National	National	National			

ESTIMATED COSTS

COMPONENTS	Est Cost US\$ Mio	Possible Funding Agencies
a. Local Development Fund facility approximate estimate based on: 2004-05: 200,000 persons x 1 yr x \$ 2.5/head 2005-06 to 2007-08: 800,000 persons x 3 yrs x \$ 2.5/head	6.5	UNCDF Ireland Aid Other donors with interest in rural or community development
b. Local Capacity Bldg for Delivering Basic Infrastructure & Services	1.5	UNDP UNCDF Ireland Aid Other donors interested in rural or community development
c. Local Governance – Capacity Bldg., Education & Training:- - Civic Education - Training of LG reps and staff - Supporting ADLGD	0.50 0.50 0.50	UNDP Ireland Aid Other donors interested in (local) governance
UNDP Management, support, monitoring	0.50	
TOTAL	10.00	

NEXT STEPS

- Review and discussion with Government and other donor partners, and development/amendment of Project Concept;
- Mobilisation of financial interest and support from other donor agencies
- Design of Project/Programme as output of forthcoming Local Government Study and Consultation exercise (supported by Ireland Aid and UNDP), Phase 2.



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