



UNDP Timor-Leste

Programme Package Document
For Sustainable Human Development

June 2003



Foreword

Today, Timor-Leste is at a critical juncture in its development. We are moving from the relief and rehabilitation mode of the past three years to a sustainable development strategy. We are requesting our development partners too to reorient their operations in our country to invest in short, medium and long-term development programmes and projects.

The UNDP has been and continues to be a valuable partner for us. I am delighted that UNDP is one of the first agencies to reorient and formulate, jointly with us, a Programme Package that responds to the changing circumstances. It is a major step in the transformation from a post-conflict emergency relief and rehabilitation phase to a medium and longer-term development path. The Programme Package champions the theme of sustainable human development, focusing not just on increasing income, but also and importantly on enhancing human capacity, choices and well being of the total populace.

The Programme Package is attuned to the vision and aspirations of our people and to achievement of the Millennium Development Goals. Its main emphasis is on capacity development, which is an essential prerequisite for all human endeavors. It is in accord with the comparative advantage of UNDP.

We are pleased that this Programme Package is timely, as we discuss with our development partners the reorientation of public investments toward sustainable human development. The Government commends this initiative of the UNDP to our development partners.



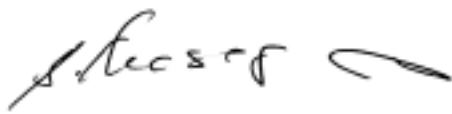
Dr. Mari Bim Amude Alkatiri
Prime Minister
Democratic Republic of Timor-Leste

Preface

The Programme Package Document represents an important milestone in UNDP's effort to assist the long and arduous process of Timor-Leste's rehabilitation, reconstruction and development following the Popular Referendum in August 1999 that chose independence. Over the past three years, UNDP with donor support has disbursed over \$55 million in programme and project expenditure. Its programmes and projects in reconstruction of infrastructures, community rehabilitation and development, capacity building and governance support have had wide-ranging impact on the well being of the population and have contributed positively to the country's social and economic recovery.

Now that the country has embarked on a steady development course, with priorities clearly delineated in the Annual Action Plans and the Road Map for implementation of the National Development Plan, UNDP is also making concerted efforts to review and realign its programmes and projects to be in accord with the emerging priorities. Based on the results of the recent needs assessment missions, discussions with the Government, and UNDP's practice areas and comparative advantages, the Document sets out a three to five year programme in the following three focus areas: (i) poverty reduction and community development; (ii) governance and capacity development; and (iii) environment and natural resources management. It provides an overview of the UNDP programme and serves as a basis for dialogue with our development partners.

As the Prime Minister indicated in the Foreword, the country is at a critical juncture and continued cooperation and adequate external assistance are essential to help the economy to a sustainable growth path that is conducive to long-term human development. This Programme Package is intended to assist the Government in this important endeavour.



Sukehiro Hasegawa
Resident Representative

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1. Introduction

Over the past two and a half years, UNDP has been an important partner in the rehabilitation and reconstruction of Timor-Leste; and in establishing the institutions and strengthening human capacities of the newest nation. As the transition of the country from a post-conflict situation to a stable development path continues, it is necessary to attune the interventions to better serve the emerging needs. UNDP's Country Programme Outline (CPO) for East Timor, 2003-2005 (see Annex 2) recognises this and proposes the realignment of UNDP assistance from emergency rehabilitation to institutional and individual capacity-building and upstream policy development in key governance areas aimed at improving the socio-economic conditions of the population. The programme direction will lead towards achieving a balance between upstream and downstream strategies. The key objectives of the programme will be linked to the Millennium Development Goals (MDGs). The strategic partnerships with key donors, Government agencies and civil society organisations established during the past two and a half years, will be strengthened.

This Programme Package Document operationalises the programme priorities and strategic directions in the CPO. It is prepared in consultation with the Government and other development partners and is intended to serve as a basis for continued dialogue between UNDP and its partners.

The document describes the development context of Timor-Leste, the challenges it faces, and its development priorities, as stated in the National Development Plan (NDP). It recapitulates the experiences of the UNDP in addressing the country's emergency rehabilitation and transition needs during the past two and a half years. It explains the rationale for the UNDP to move gradually from the post-conflict rehabilitation and transition interventions and focus its activities increasingly on niche areas, where it has a distinct comparative advantage.

Taking into account the overall needs presented in the Road Map¹ for implementation of the NDP over the next four years, the document puts forward priority programmes in three main areas: (i) Poverty Reduction and Community Development, (ii) Governance and Capacity Development, and (iii) Environment and Natural Resources Management. Gender dimensions are mainstreamed in the programmes with capacity development as the main focus.

The document provides brief descriptions about the programmes and projects that constitute the totality of UNDP's cooperation with the Government and other Timorese stakeholders over the next 3 to 5 years. The details of the programmes and projects are elaborated in the annexes. They provide information on the programme and project rationale and design, indicate the resource requirements and strategies for their mobilization, and detail the implementation and monitoring arrangements.

¹ The NDP and the Road Map for implementation of the NDP are available on the UNDP Country Office web site (www.undp.east-timor.org).

2. The Development Context

2.1. The Path to Independence

The people of Timor-Leste attained independence on 20 May 2002, marking the end to more than four centuries of colonization including occupation during World War II, internal conflicts, and almost a quarter century of attempted integration with Indonesia. They suffered immeasurably and made enormous sacrifices to achieve this freedom. The people's expectations have been raised about the rights, opportunities and challenges that will follow independence.

Centuries of colonization and neglect have kept the country underdeveloped. The destruction following the 1999 referendum further impoverished the economy and the people.

The outcome of the Popular Referendum in August 1999 was followed by extensive loss of life and property perpetrated by the military and the militias and widespread human suffering. About 70% of essential utilities and private and public buildings were damaged or destroyed and two-thirds of the population was displaced. Government institutions ceased to function as the Indonesian officials who occupied virtually all key positions in the country departed. Most economic sectors, including the agriculture sector, were decimated leading to a 45% decline in the gross domestic product (GDP) in 1999.

Soon after, under the United Nations, international peacekeeping forces restored security and an interim administration, called the United Nations Transitional Administration in East Timor (UNTAET), was established². UNTAET together with other development partners and in conjunction with the East Timorese leadership and people provided immediate humanitarian relief. The long and difficult process of physical, social, and political reconstruction began and the establishment of the building blocks for a long-term development process commenced. This process accelerated after the completion of elections for a Constituent Assembly in August 2001 and the establishment of the Second Transitional Government in the following month. The drafting of the Constitution was completed in early 2002 and elections for the President held in mid-April. On 20 May 2002, Timor-Leste became an independent and sovereign nation following the transfer of the baton of governance from the UNTAET to the national Government.

There was rapid economic recovery during 2000 and 2001, driven largely by the UN and other foreign presence and a modest recovery in agricultural production. Notwithstanding, the total non-oil GDP (in real terms) was only about 88% of the 1997 level (IMF estimates) and Timor-Leste continues to be a low-income country by international standards. External assistance accounts for around 67% of the non-oil GDP and this pattern is expected to continue at least over the remaining four years of the NDP period.

UNTAET, UN Agencies and other development partners contributed significantly to the country's recovery.

The economy remains largely agrarian, with more than 70% of the population living on subsistence production. The GDP in real terms is estimated to contract by 0.5% in 2002 and 2% in 2003, but recover (increase) by 1.2% in 2004, and continue to grow at 3.3% percent and 5.1% percent respectively in 2005 and 2006 (IMF estimates). In September 2001, about 41% of East Timorese were estimated to live below the national poverty line of US\$ 0.55 per capita per day. Using the

² See General Assembly Resolution 1272, 25 October 1999.

international poverty line of US\$1.00 a day per person in purchasing power parity, about one in five East Timorese were estimated to be poor. Timor-Leste is ranked 9th among twelve countries in the East Asia and the Pacific region in terms of the proportion of people below the international poverty line. In human development, Timor-Leste is one of the poorest nations in Asia and ranks among the 20 poorest countries in the world.

Timor-Leste suffers from significant poverty and low Human Development.

2.2. Development Challenges

Responding to the situation, the NDP established poverty reduction and the promotion of economic growth that is equitable as the twin goals. It identified the following as the more significant and immediate challenges facing the country.

- More than two in five East Timorese are poor and do not have enough resources to meet their basic needs of food, clothing, education and housing. Raising the economic and social status of the poor will be a major challenge.
- Women continue to occupy a subordinate position in East Timorese society with low political participation and economic and social status. They suffer from inadequate access to essential services (e.g. neo-natal and post-natal health care) as well as other ills including domestic violence. Improving the status of women through better participation and representation in all spheres will be a challenge.
- Low human resource capacities typify the Government, private sector and civil society. Almost two in three adults are unable to read and write. Management, technical and administrative skills and experience are in short supply in all sectors. Building human capacities will be a challenge.
- Communication is burdened with not only a multitude of local languages and Bahasa Indonesia, but also Portuguese and English. The transition to Portuguese upon independence is a challenge that will impose significant costs on Government.
- East Timor is an agrarian and largely subsistence economy with much of the production consumed at home. Transforming it to a market economy will be a challenge.
- Productivity in every sector is low, generally relying on traditional low-input and low-output technologies and practices, which are designed to minimize risks. Modernizing production will be a challenge.
- The private sector including agriculture is the main source of employment and livelihood for the large majority of the people. The challenge for the Government, donors and NGOs is to nurture the entrepreneurial capacities, provide the support services and create the enabling environment for the private sector.
- The Government budgetary situation in the medium-term is difficult and reliance on donor support will continue. The country must build its financial and human capacities before the store of international grant support declines.

The challenges facing the country are daunting.

At the same time, it will be a challenge to ensure that development priorities and activities are driven by East Timorese, albeit in partnership with donors.

- The flow of significant revenues from the Timor Sea (oil and gas) may be some time away and their sustainable utilization is a challenge.

Adoption of the US dollar coupled with the massive presence of foreigners up to the mid-2002, distorted the prices and wages in the country. Even after the scale-down of the UN presence, much of the effective demand in the economy is stimulated by the foreign enclave economy, which for the most part swirls within and around the UN/foreign community with only a modest portion leaking into the local economy. The scaling down of the UN presence in mid-2002 had significant adverse impact on employment, especially in urban areas, and support services including hotels, rents and allied services. The planned withdrawal of UNMISSET by June 2004 will likely exacerbate the situation.

The massive presence of foreigners has distorted prices and wages and raised unrealistic expectations amongst the Timorese.

The lack of jobs, especially for the youth and veterans, and the slowdown in economic activity pose additional challenges for the country. It is necessary to address poverty, unemployment and under-employment, meet crucial health and education needs, provide equal opportunities, and promote participation and empowerment to preserve the fragile social harmony, maintain political stability, and achieve rapid and sustainable economic growth.

2.3. Government Response

The Government has recognized the need to respond to the urgent requirements of the people while pursuing the medium and long-term objectives of capacity development and sustained economic growth. In January 2003, the Council of Ministers adopted eight immediate priorities to respond to the urgent needs of the population. In addition, the Government embarked on a prioritization and sequencing of the activities in the NDP over the remaining four years of the Plan period keeping in view the eight immediate priorities, and filling gaps where necessary. The activities addressing the eight immediate priorities were described in the Stability Programme. The exercise was completed in the first quarter of 2003 and the results including the Stability Programme were incorporated in the Road Map. The latter guided the preparation of the Annual Action Plans (AAPs) and Quarterly Reporting Matrices of the Government Ministries and Agencies for FY 2003-04. The budget submissions by the Ministries and Agencies for FY 2003-04 were based on the AAPs for the year.

Government recognizes the problems and is preparing to respond to the urgent needs of the people. Emphasis has been placed on community empowerment, gender, public participation, transparency, and accountability.

The NDP and its accompanying Road Map, which incorporates the Stability Programme, emphasize security, respect for human rights, delivery of basic services, public participation, decentralization of decision making, empowerment of women and communities, and transparency and accountability in the development process. In particular, the immediate priorities of the Stability Programme stress the need to strengthen the State administration and legitimize local leaders at the *suco* level; provide better services in justice and internal security; expand jobs in the private sector and through public support for vocational training and self-employment; improve agriculture and enhance food security on family farms, through cooperatives, the private sector and joint ventures; develop domestic marketing and import and distribution of basic commodities and export of niche products through

cooperatives; expand access to primary and secondary education and improve quality at all levels; and improve the delivery of health services, especially to remote areas. The priorities stress both the income and non-income dimensions to reduce poverty as well as the need to develop employment opportunities for the youth and ex-combatants, in order to restore stability and rejuvenate the economy.

In March 2003, the Government of Timor-Leste in partnership with the UN organized a two-day workshop on the Millennium Development Goals. The presentations by several Ministers at the workshop highlighted the substantial overlap between the NDP objectives and the MDGs. They expressed the commitment to adapt the MDGs to the specific situation of Timor-Leste including the setting up of national targets and develop policies and programmes to achieve them.

The NDP objectives substantially overlap with the MDGs.

2.4. Dependence on External Assistance

Timor-Leste inherited from the Indonesian regime a dependence on external inflows to finance its economic and social development, as manifested in its large fiscal and trade deficits. The devastation of the country in 1999 and the weak economic base for export promotion and import substitution at competitive terms make the country dependent on external assistance and the projected flows of oil and gas revenues from the Timor Sea. To date, external assistance has been the dominant force in driving the activities in virtually every sector of the economy including agriculture. However, the UN mission presence is expected to be phased out by June 2004, the Trust Fund for East Timor (TFET)³ is scheduled to terminate in FY2003-04, and the three-year budgetary support under the current Transition Support Programme will cover only up to FY2004-05. One of the serious issues facing the country is the need to ensure continued external assistance at current levels in the latter years (i.e. FY2004-05 onwards) to complete the rehabilitation activities, enhance security and stability, restore economic growth and reduce poverty. This is all the more critical as substantial revenue flows from the Timor Sea oil and gas are projected to be delayed by at least two to three years.

Financial resources are diminishing with the phasing down of the UN presence

The need for external assistance at current levels will continue at least for the rest of the Plan period.

One of the biggest constraints to implement the programmes in the NDP and to achieve the targets of the MDGs is the lack of a domestic market. This is due to the small and sparse population, especially in the rural areas, low income of the majority, and the inadequate infrastructure in the country. The challenge is daunting since much of the domestic market now is centered on expatriates and foreign entities whose tenure in the country is limited. The fact that approximately three-quarters of the labour force is employed in agriculture, while agriculture makes up only a quarter of the nation's non-oil output, points to low productivity and underemployment in agriculture, as the non-agricultural sector is unable to provide adequate number of additional jobs for the rapidly growing labour force.

³ The Trust Fund for East Timor (TFET) receives contributions from Australia, Finland, Ireland, Italy, Japan, New Zealand, Norway, Portugal and the United Kingdom. TFET provides grants for economic reconstruction and development activities in Timor-Leste that are prepared and supervised by the World Bank and the Asian Development Bank. The World Bank is the trustee of the fund. Ministries are designated to implement TFET projects.

3. UNDP Work So Far

3.1. Capacity Development and Policy Support

UNDP together with other agencies and development partners arrived on the scene early on and started to assist the East Timorese in the rehabilitation work. At the Donors Conference held in Lisbon in June 2000, UNDP was designated the lead agency for capacity building in the public and private (formal and informal) sectors and civil society in Timor-Leste. It played major roles in capacity building in key areas, including planning, external assistance management and governance. They include support to the Government on the following:

1. Planning

- (i) Participatory Potential Assessment, which is one of three components of the Poverty Assessment;⁴
- (ii) Formulation of the NDP;
- (iii) Preparation of annual action plans, quarterly reporting matrices and annual budget submissions;
- (iv) Preparation of the Road Map including the Stability Program;
- (v) Organization of the workshop on the MDGs and preparation of the first national MDG Report;⁵

2. External Assistance Management

- (vi) Formulation of the Letter of Development Policy and Action Matrix and negotiations with donors on the direct budgetary support under the three-year Transition Support Programme (TSP);
- (vii) Preparation of Background Documents and arrangements for organization of Development Partners Meetings;⁶
- (viii) Arrangements for and conduct of policy dialogue with development partners in the context of formulation of their Country Assistance Strategies;

3. Governance

- (ix) The electoral and legislative processes including the holding of elections for the Constituent Assembly (2001) and the Presidency (2002) and institutional strengthening of the Parliament;
- (x) Formulation of the Governance and Public Sector Management (GPSM) Capacity Development Framework;⁷

⁴ See UNDP web site.

⁵ See UNDP web site.

⁶ See UNDP web site.

⁷ The Governance and Public Sector Management (GPSM) position paper articulates UNDP's strategic approach for supporting Government to deliver on its commitment to start building a lean and efficient civil service. It was endorsed by the development partners at the Donors Meeting in Australia in 2001. It has been used by UNDP and other donors as a programme framework for formulating specific interventions. For example, UNDP intervention in the area of capacity development for Human Resources Management in the

- (xi) Development of the draft Civil Service Act;
- (xii) Human Resources Management development in the Civil Service;
- (xiii) Development of a Comprehensive and Multi-Sectoral Response to HIV/AIDS/STI, 2002-2005;
- (xiv) Civic education;
- (xv) Development of an accessible and fair justice system including the design and implementation of programmes to support the re-establishment of the judicial system;
- (xvi) Organization of an international workshop to discuss Timor-Leste's security options;
- (xvii) Introduction of an automated customs clearance system for efficient data recording and revenue collection; and
- (xviii) Strengthening of civil society organizations including access to information and communication technology (ICT) services, and community empowerment.

UNDP facilitated the preparation of the first NHDR, involving many representatives from government and non-government organizations as well as academia and independent consultants. The NHDR was published and launched at independence in May 2002.⁸ It has proven to be a valuable means for increasing public awareness and commitment to poverty reduction.

UNDP also supported an informal sector study. Executed by ILO, the study produced a discussion paper titled "Study on the Potential Impact of the Informal Sector on the Economic Growth in East Timor" to assess the current state and possible contributions of the self-employed and micro-enterprise sector to the economic recovery and development of Timor-Leste. The report was presented to the transitional cabinet through the Department of Economic Affairs of the East Timor Transitional Administration (ETTA) for the development of policy and programming guidelines.⁹

Rice is the preferred staple of the East Timorese, which holds a key to food security of the nation. An appropriate macro policy is needed to ensure sustainable production/supply of rice. FAO collaborated with UNDP in a rice policy study to propose policy options to East Timor Transitional Administration (ETTA) for rice pricing by examining rice pricing responses in the South East Asian region and in Timor-Leste, which would have substantial impact on both economic development and the maintenance of food security.¹⁰

3.2. Environmental Management

1. Assessing Environmental Needs and Priorities

One of the early initiatives in the area of environmental management is the UNDP's work with the Environmental Protection Unit (EPU) of ETTA. The Norwegian Government through the Nordic Funds managed by UNOPS - Copenhagen, funded the project. The objective was to generate a dialogue on environmental issues and

Civil Service is based on the GPSM Framework. The latter can be found on the UNDP Country Office web site.

⁸ The NHDR is available on the UNDP Country Office web site.

⁹ See UNDP web site.

¹⁰ See UNDP web site.

priorities in Timor-Leste as the basis for identification and development of priority proposals for future project development. Several consultations at the national, district and community levels were undertaken. An issues and priorities paper was prepared and a final report formulated, which included a section on the anthropological aspects of East Timorese natural resources management, and six project outlines. The report was distributed widely to all stakeholders.¹¹

2. Global Environment Facility

The Regional GEF coordinator visited Timor-Leste in May 2002 to introduce GEF to the government counterparts and explore the possibilities for the country to access assistance from GEF. The discussions covered among others the possibility of joining a regional programme or setting up a small grants programme. However, the most desirable initial option seems to be to undertake a National Capacity Self Assessment (NCSA), which could be used, *inter alia*, to develop a project proposal. By then, Timor-Leste will perhaps have signed the GEF conventions.

3. Natural and Mineral Resources Survey and Development Strategy

This is a study funded by UNDP and executed by UNESCAP. The fieldwork was done between April and June 2002, and the final report submitted in 2003. The findings of the study were presented at the International Conference on Petroleum and Mining, in Dili in March 2003.¹²

4. Disaster Management

Due to its geographic location and rugged topography, Timor-Leste is prone to natural disasters, such as landslides, droughts, floods and strong winds. The UNDP supported the establishment of the National Disaster Management Office (NDMO) and in cooperation with UNHCR and Asian Disaster Preparedness Center (ADPC) provided training to 425 staff from different government institutions at both the national and district levels. The National Disaster Management Plan was drafted with UNDP support and a strategic stockpile of non-food items has been established. A public awareness campaign was also conducted to prepare people for the monsoon season. In addition, a geographic information system was established to support vulnerability mapping and planning.

3.3. Community Development

1. Dili Employment Creation

This quick impact initiative was implemented in 2000 to address the most pressing need of generating employment opportunities for the large number of people in the main urban centres who had no means of raising income. This was especially the case in Dili where it was recognised that there was a high degree of social disintegration, and therefore a high potential for civil unrest. A need to assist in the rebuilding of civil society and to provide short-term employment was therefore seen to be essential. In coordination with CNRT and Dili District, the project provided short-term employment to over 600 people who contributed to cleaning up of Dili.

¹¹ See UNDP web site.

¹² See UNDP web site.

2. Short-term Vocational Training

In early 2000 UNDP formed partnership with Becora Technical High School to provide the people of Timor-Leste with immediate assistance to lay the foundation for longer-term development. Over 200 unemployed youth received short-term vocational training in various skills. The project provided time for the international community to respond to requests for longer-term development support.

3. Immediate Recovery and Improvement of Agricultural Production

The project assisted the local farmers in 8 Districts (Manatuto, Baucau, Viqueque, Same, Suai, Maliana, Ainaro and Oecussi) in recovering agricultural productivity. Agricultural implements, such as hand tillers, and maintenance training were provided to farmers. In the second phase of the project, mechanical workshops were constructed in 3 districts for sustainable maintenance of hand tillers.

4. Maliana Guesthouse Reconstruction and Business Development

With partial contribution from the Government of Norway, UNDP supported a group of local widows and the youth to materialize their dream of establishing a community-led business in the town of Maliana. A former district governor's residence, which was destroyed during the 1999 violence, was reconstructed into a guesthouse. Select community members received vocational training in hospitality and business management in Surabaya, Indonesia. Surplus profit from the guesthouse operations will be utilized for further community development activities. The guesthouse is expected to enhance social cohesiveness and promote growth in local economy by stimulating various peripheral industries in Maliana.

5. Ainaro-Manatuto Community Activation Project (AMCAP)

AMCAP is a complex five-year project, currently running in the districts of Ainaro and Manatuto. It is UNDP's first community based development initiative in Timor-Leste. The project aims to increase the food and income security of 12,000 low-income households by working closely with local communities in a wide range of areas that include the development of sustainable upland farming systems, irrigation rehabilitation, livestock improvement and reforestation. In order to facilitate these activities, a multi-purpose community training centre is being constructed in Ainaro. The project also assists other key areas for community development such as healthcare, post-conflict community reconciliation and women's empowerment.

3.4. Infrastructure Rehabilitation

It is estimated that more than 70 percent of basic infrastructure in Timor-Leste were destroyed during the 1999 violence. UNDP's partnership with donor countries to restore infrastructure has had a significant impact on the revival of social and economic activities.

With contributions from the Governments of Japan (US\$46.0 million), Portugal (US\$3.3 million), Norway (US\$0.5 million) and Australia (US\$0.3 million) totaling approximately US\$ 50 million, UNDP in coordination with UNOPS and the Government of Timor-Leste is implementing one of the largest portfolio of emergency infrastructure rehabilitation projects in Timor-Leste.

Japan has been the largest contributor to the infrastructure sector.

UNDP has managed a total of 16 infrastructure rehabilitation projects so far, 11 of which are Management Service Agreement (MSA) projects funded by the Government of Japan. These Japanese MSA projects are assisting the Government of Timor-Leste in rehabilitating educational facilities, power stations, roads, water and sanitation systems, and the Dili Port. These projects are being implemented in partnership with UNOPS, with five of them substantially completed, and the remaining six currently on-going.

Furthermore, three MSA projects funded by Portugal, involving rehabilitation works for rural water supply systems and rural power stations, were completed in April and May 2002. Two road repair projects funded by Australia and Norway were directly executed and completed by UNDP at the end of 2000.

During the period 2000-2002, the UNDP infrastructure projects have assisted the Government and the people of Timor-Leste in (i) rebuilding 17 small rural power stations; (ii) facilitating substantial repairs to Dili's power station; (iii) restoring water and sanitation systems in the towns of Aileu and Baucau; (iv) substantially rehabilitating the Laclo irrigation system in Manatuto District; (iv) facilitating substantial repairs and improvements to the Dili Port; and (iv) making emergency repairs to over 200 kilometers of primary roads. In addition, these projects have provided significant training on-the-job in water resources management, port management, and power station management for many East Timorese workers as well as to generate local employment for physical construction activities.

Some 60% of the population have benefited from infrastructure projects.

It is estimated that these interventions have had a broad-based impact on roughly 60% of the total population, and have helped to establish the foundations for economic recovery.

3.5. Resource Mobilization

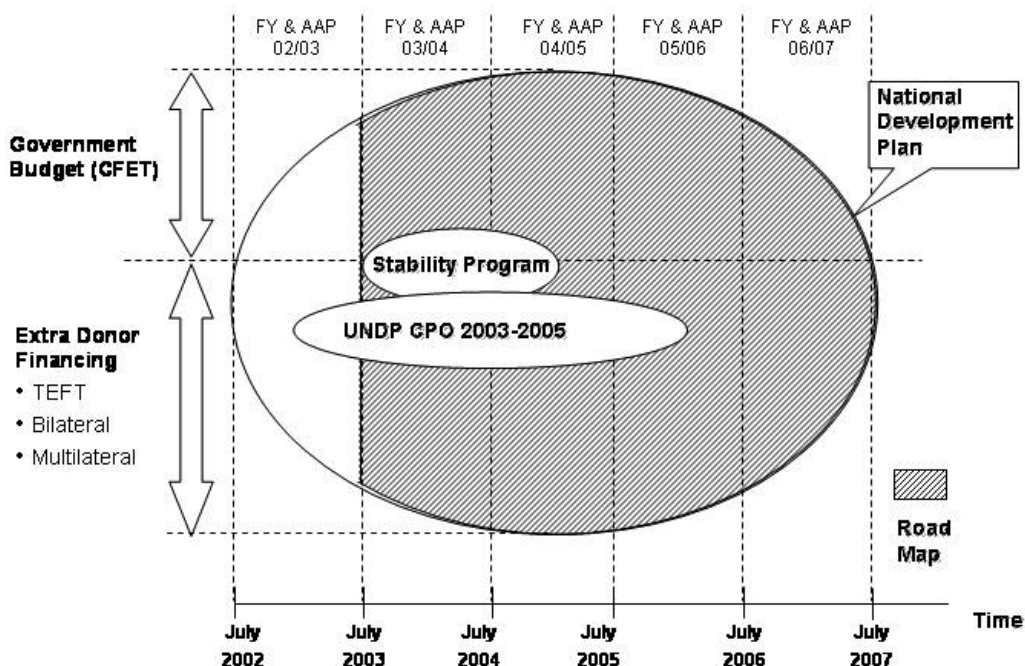
In supporting the Government's development programmes, UNDP has identified the strategic development needs, mobilized and coordinated financial and technical resources from a multitude of development partners, and utilized its global network of knowledge and expertise to provide quick and effective solutions to major problems even in emergency situations. The UNDP in Timor-Leste has signed cost-sharing and trust fund agreements valued at over US\$85 million with our donor partners (See Annex 3 for details).

4. UNDP's New Programme Areas

Timor-Leste faces considerable challenges in strengthening democratic governance, reducing poverty and working towards achieving the MDGs. There are a growing number of requests for policy and programme advice in support of strengthening good governance, poverty reduction and rejuvenating economic growth.

As mentioned in Section 2.3, the government has undertaken serious effort in development planning and has come up with a road map for achieving national development targets from FY 03/04 to FY 06/07. UNDP's programmes and projects are now designed to be an integral part of the national effort and aim to support activities that are clearly the priorities of the National Development Plan but can't be undertaken by government alone either for financial or technical reasons. The following diagram shows how UNDP's programmes and projects fit in the national development effort.

Relationship between the National Development Plan and UNDP Program in Timor-Leste



During the latter part of 2002 and the first half of 2003, the UNDP in Timor-Leste has completed a number of key strategy setting and programme formulation missions including on poverty reduction and employment generation, judicial sector assessment and strategy, parliamentary support, environment and natural resources management, capacity development through the 200 Development Posts, and technical cooperation among developing countries. It is in the process of operationalizing the Country Programme Outline including redefinition of the strategic vision for the office, clarification of strategic directions and prioritization of programme foci.

Considering the UNDP's global mandates, keeping in view its comparative advantages, and taking into account the country's needs and current demands, UNDP Timor-Leste will focus its activities in the next three to five years in three programme areas. These are:

1. Poverty Reduction and Community Development,
2. Governance and Capacity Development, and
3. Environment and Natural Resources Management.

Gender dimensions will be mainstreamed in all activities with capacity building as the primary focus. Increased focus will be on marrying upstream policy advice and assistance with downstream implementation at the grassroots on a pilot scale to demonstrate the viability of the policies.

Poverty reduction and community development through participation of the people are important national objectives enshrined in the NDP. They are also key elements of the global mandates of the UNDP. The organization has extensive experience globally and in Timor-Leste in assisting governments, civil society organizations and communities in addressing these issues. It has distinct comparative advantage in providing continued support in these areas to Timor-Leste drawing upon the substantial knowledge base and experiences.

It is recognized that good governance not only promotes participation, transparency and accountability, but also the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society, and that the voices of the poor and the vulnerable are heard in decision-making on the allocation of development resources. The Government and people of Timor-Leste are committed to promotion of good governance. UNDP's primary interest lies in helping the State serve the needs of its people effectively.¹³ It is one of the global mandates of UNDP. Supporting good governance will involve enhancing national institutional capacities for sound policy-making and implementation including the provision of effective and efficient public services and the transparent and accountable management of the affairs of the state, the economy and the society. Also, it entails respect for human rights, promotion of the rule of law, and the maintenance of peace and security, which enable the people to pursue their avocations and live in freedom with responsibility for the well being of all. UNDP has considerable experience and a comparative advantage in assisting developing countries including Timor-Leste in good governance.

The nascent Government of Timor-Leste is just beginning to address the sound management of the country's natural resources and protection and enhancement of its environment. Again this is one of the areas where UNDP could bring forth its own significant experience and those of others to advise and assist the Government. It too is an element of the global mandates of UNDP.

UNDP will help the Government in introducing economic and financial policies that empower and benefit women, the poor and marginalized groups. It has an important role to play in these activities, due to its emphasis and experience in promoting human development, its expertise in advocacy, policy advice and community development, and its unique role of coordination. The objectives of poverty

¹³ See "UNDP Thematic Trust Fund: Democratic Governance," 2003.

reduction, promotion of gender equality and protection and enhancement of the environment are key components of the MDGs, which contribute to human development. UNDP will assist the Government and other stakeholders in adapting the MDGs to the specific situation of the country and achieving the targets they set for themselves.

The proposed projects in each of the three programme areas are listed below and described briefly in the following sections.

1. Poverty Reduction and Community Development

Policy Support for Poverty Reduction

TIM/03/008/01/34	Coordination, Monitoring and Planning Assistance for National Development Plan Implementation (COMPASS)	Pipeline
TIM/03/009/01/34	Policy support to Ministry of Development and Environment	Pipeline
TIM/01/009/01/34	National Human Development Report 2004: MDGs targets and financing for MDGs in Timor-Leste	Pipeline
TIM/00/006/01/34	Development Advisory Services	Ongoing
TIM/01/011/01/34	Technical Cooperation among Developing Countries (TCDC) for Timor-Leste	Ongoing
TIM/03/002/08/56	Support to National Housing Policy	Ongoing
TIM/02/015/01/40	Automated System for Customs Data Administration in East Timor (ASYCUDA)	Ongoing
TIM/01/020	Prevention of HIV/AIDS	Ongoing

Community Development and Employment Generation

TIM/01/007/01/31	Ainaro and Manatuto Community Activation Programme (AMCAP)	Ongoing
TIM/03/010/01/34	Oecussi Community Activation Programme (OCAP)	Pipeline
TIM/03/011/01/34	Economic Empowerment of Women Programme (EEWP)	Pipeline
TIM/03/012/01/34	Community Development and Local Development Fund	Pipeline
TIM/03/004/01/34	Recovery, Employment and Stability Programme for Ex-combatants and Communities in Timor-Leste (RESPECT)	Ongoing
TIM/03/013/01/34	Food and Agricultural Development Programme (FADP)	Pipeline
TIM/03/014/01/34	Vocational Training for Employment Generation	Pipeline

Infrastructure for Improved Access to Service

TIM/00/R53	Dili Water Supply Programme (Phases I & II)	Ongoing
TIM/01/R54	Rural Water Supply Systems (3 towns)	Ongoing
TIM/01/R56	Rehabilitation of Hera Poly-technical Institute	Ongoing
TIM/01/R52	Rehabilitation of Dili Port (Phase II)	Ongoing
TIM/01/R55	Laclo Irrigation Rehabilitation Phase II	Ongoing

2. Governance and Capacity Development

Democracy and Participation

TIM/02/MO5/MT/34	Parliament Support Programme	Ongoing
TIM/03/016/01/34	Assisting the Electoral Process in Timor-Leste	Pipeline
TIM/02/019/01/34	Local Government Options Study and Implementation Support	Ongoing
TIM/03/018/01/34	Civil Society Organization Support Programme	Approved
TIM/03/019/01/34	Civic Education Programme	Pipeline
TIM/00/010/01/34	Internet Network for the Reconstruction of Timor-Leste: Information Strategy & Access to Information	Ongoing

Justice and National Reconciliation

TIM/03/007/01/34 Justice Sector Development Support Programme	Ongoing
TIM/03/021/01/34 Truth, Reception and Reconciliation Commission	Approved
TIM/03/026/01/34 Support to Provedor and Inspector General	Pipeline
TIM/00/009/01/34 Assistance to Veterans Commissions	Ongoing
TIM/03/005/01/34 Capacity Building of PNTL	Ongoing

Public Administration Reform and Capacity Development

TIM/01/024/01/34 Capacity Development for Human Resources Management in the Civil Service	Ongoing
TIM/02/002/01/34 Support to Development Posts for the Government of Timor-Leste	Ongoing
TIM/01/013/01/34 Strengthening Capacity for Ministry of Foreign Affairs and Cooperation	Ongoing

3. Environment and Natural Resource Management

TIM/03/022/01/34 Environmental Governance Capacity Development	Pipeline
TIM/03/023/01/34 Sustainable Management of Timor-Leste's Biodiversity and Natural Resources	Pipeline
TIM/03/024/01/34 Rural Energy Development in Timor-Leste	Pipeline
TIM/01/025/01/34 Efficient Utilization of Household Fuel	Pipeline

4.1. Poverty Reduction and Community Development

The first NHDR for Timor-Leste shows that the country is one of the poorest in the Asia-Pacific region and amongst the 20 poorest nations in the world. The two overriding development goals of the NDP are: (i) poverty reduction in all sectors and regions of the nation, and (ii) promotion of economic growth that is equitable and sustainable, and improving the health, education, and well being of everyone in Timor-Leste. In order to achieve these, the NDP proposes development and poverty reduction strategies.

Open unemployment, especially of youth, is a potentially poverty creator and can lead to stability problems. The Government plans to reduce under-employment, improve labor productivity and expand remunerative employment. The linkage between employment expansion and poverty reduction has many facets. The poor are helped out of poverty when there is an increase in: (i) wage employment, (ii) real wages due to a rise in demand for labor and/or an increase in the productivity of labor, (iii) the opportunity of the poor to employ themselves (or self-employment and sustainable livelihoods), (iv) the productivity of the poor in self employment, and (v) the terms of exchange of the output of the self-employed poor. The employment policy for poverty reduction needs to concern itself with the different aspects of the linkages between employment and poverty.

Poverty will be reduced only if under-employment falls, labour productivity increases and new jobs are created.

However, the prospects for non-public modern sector wage employment outside agriculture in Timor-Leste are limited and will take time to develop and expand. One of the factors contributing to this situation is current wage expectations, which are high compared with what could be considered Timor-Leste's more immediate competitors such as Indonesia, China and Vietnam. Another is that education and skill levels of the labor force are low compared with its competitors. The strategies

for addressing these challenges include the promotion of rapid accumulation of human skills through vocational and technical training through formal and informal mechanisms including training on-the-job.¹⁴

The poverty reduction strategy articulated in the NDP emphasizes the creation of productive opportunities, expansion of access to essential economic and basic social services, enhancing security including food security, and promoting participation to empower the people. The proposed interventions fall within the focus areas for poverty reduction and will be catalytic. Enabling the people to establish sustainable livelihoods is one of the important means to reduce poverty. This will include improving the productivity of labor, which is the most abundant resource the poor possess.

Within the priorities and strategies of the NDP, and in line with the programmes prioritized in the Government's Road Map and Stability Programme, the UNDP intends to support the following programme areas for poverty reduction and community development:

1. *Policy Support for Poverty Reduction*
2. *Community Development and Employment Generation*
3. *Infrastructure for Improved Access to Services*

4.1.1. Policy Support for Poverty Reduction

a. Coordination, Monitoring and Planning Assistance for National Development Plan Implementation (COMPASS)

The preparation of annual action plans (AAPs), quarterly reporting matrices (QRMs) and budget submissions by line Ministries and Agencies requires continued external assistance for refresher courses. Further, the quarterly compilation of the progress reports on implementation of the AAPs including the actions under the TSP require expert assistance at least for the next year or more. Similarly, the Government requires continued assistance in preparing the Letter of Development Policy and formulating the Action Matrix of the TSP as well as in undertaking semi-annual reviews of progress on the Programmes at least for the next two years. UNDP has considerable success in providing suitable assistance in these areas and will continue such support in the short and medium term.

Impact evaluation. Over the past two and a half years, Timor-Leste has received considerable external assistance for programmes and projects. The Government intends to undertake a comprehensive assessment of the impact of these interventions on the people and the economy of the country. The proposed study will review and analyze the coverage and impact of the various development programmes and projects on: (i) economic development at the community and national levels, (ii) human development and poverty reduction, (iii) income distribution across various population groups and regions, (iv) promotion of gender equality, and (v) environmental protection. It will highlight best practice examples, and recommend concrete improvements in both ongoing and future development

¹⁴ The Government with support from other agencies is involved in expanded provision of primary and secondary education and basic health care, which are key ingredients of human capital formation.

programmes and projects. In undertaking the study, local skills and expertise will be developed and enhanced by partnering each foreign consultant with a national staff or consultant, and requiring the nationals to present the findings.

Monitoring External Assistance: The Government is undertaking the important task of making a comprehensive inventory and database of all development projects and programmes being funded from all sources. This next stage of this undertaking poses the challenge of analyzing this massive information and making sure that the development projects and assistance are directed to priority programmes that productively and coherently benefit the majority of the population, especially those in the rural areas. It will involve consultations with other line ministries and agencies, local government functionaries, NGOs and communities. Significant time and resources will be needed to undertake this exercise. UNDP plans to provide technical assistance for the exercise.

Poverty Monitoring: A poverty monitoring information system will be developed as part of a common information system including a comprehensive database that is easily accessible to all Government entities. Possible areas to be covered in the database include livelihood aspects (employment in the formal and informal sectors including self-employment), income poverty (poverty headcounts, poverty mapping and inequality in income/expenditure distribution (Gini coefficients), access to and utilisation of social services (education, health, housing, and water and sanitation), energy use, environment, and empowerment (e.g. participation and gender mainstreaming). Further, the lacuna on data on private economic activities will be addressed through design and implementation of a panel survey of small and micro enterprises (SMEs).

b. Policy support to Ministry of Development and Environment

The high levels of wages and prices in Timor-Leste as compared to neighboring countries require that Government policy and programme interventions to enhance productivity and build/strengthen competitiveness should receive high priority. This will be one of the main areas of UNDP's support to the Government to come up with suitable macro policies and programme interventions.

Other priorities include promoting private economic activities through strengthening the capacity of Timorese entrepreneurs, supporting cooperatives especially in marketing and import and export trade, encouraging micro-enterprises and SMEs, and strengthening skills in the informal sector to expand self-employment. This will be linked to UNDP's technical assistance in the areas of micro credit and the informal sector. On the demand side, priority will be accorded to rejuvenation and expansion of the domestic market, and development of niche products and markets internationally.

Coordination of implementation of activities in the National Development Plan through inter-ministerial committees, initiated recently by the Ministry of Development and Environment, needs to be expanded to cover all the key areas. Also, there is an urgent need to support the formulation of supporting policies that span across sectors. Examples include the National Policy on Employment. UNDP will assist the Ministry in its coordination and policy formulation tasks.

c. Development Advisory Services

To meet the needs for short-term expert advice, a fund for provision of Development Advisory Services has been set up by New Zealand and UNDP. It will finance short-term experts to assist the Government in key priority areas, including support to a few activities included in the TSP Action Matrix. In addition to being a quick response mechanism for policy support, it has a strong emphasis on capacity development, facilitating the training of local counterparts and transfer of knowledge and skills.

d. National Human Development Report 2004: MDG Targets and Financing for MDGs in Timor-Leste

Preparation of the first national MDG Report taking stock of the current status on the various indicators is under way. Adapting the MDG targets to Timor-Leste will require establishing benchmarks, evolving appropriate targets that are realistic and achievable, and selecting suitable indicators for which data could be compiled. The UNDP will support Timor-Leste in this process using the next (second) NHDR and assist in monitoring progress.

e. Technical Cooperation among Developing Countries

TCDC is a cooperative activity for development between two or more developing countries, which is initiated, organized, managed and financed primarily by the developing countries themselves. An inventory of the most urgent technical training needs of East Timorese is regularly updated by concerned government institutions and circulated among the interested neighbouring countries. Under UNDP coordination, a number of developing countries are being approached and considering assistance to East Timor in important development areas, such as agriculture, forestry, fishery and eco-tourism, within the TCDC framework.

f. Support to National Housing Policy

As part of its poverty reduction efforts, the Government of Timor-Leste, through its Ministry of Transport, Communications and Public Works, has the intention to develop a National Housing Policy, and requested assistance of UNDP and UN-Habitat in the preparatory process for such a policy. Housing is a serious problem in East Timor, particularly for the urban poor, and requires urgent intervention. A sound housing policy is a precondition for targeted and appropriate interventions in the housing sector. Housing directly affects people's health, income and living conditions. It is a basic human need and human right to have access to adequate housing. The Government has responsibility to ensure that people have access to adequate housing, and a housing policy is a tool to achieve this. The complex situation in a post-disaster situation of Timor-Leste requires an appropriate housing policy and urban housing strategy, which are key elements of good governance and will contribute to urban poverty reduction. At present no budgetary allocation for this output of the National Development Plan exists.

g. Automated System for Customs Data Administration Implementation in East Timor (ASYCUDA)

The income gained through customs is a substantial source of revenue for the young nation. ASYCUDA is an automated system capable of tracking the traffic of goods coming into Timor-Leste, which will increase the effectiveness and efficiency of

the customs service, minimizing revenue leakages and potential for smuggling and corruption. The system will also provide vital statistics on foreign trade as per prescribed international standards in a timely manner. UNDP, in cooperation with UNCTAD, is supporting the installation of the software and development of national capacity to operate the system.

4.1.2. Community Development and Employment Generation

More than 80% of the population of Timor-Leste lives in the rural areas and the incidence of poverty in the rural areas is high as compared to that in the urban centers of Dili and Baucau (46% vs. 14%). As a result, almost 90% of the poor are in rural areas and poverty is primarily a rural phenomenon. The factors contributing to rural poverty include (i) low returns to agriculture and limited non-farm livelihood opportunities, and (ii) limited access to basic social services (e.g. education, health, and water) and infrastructure (e.g. markets and roads). Further, the long colonial rule and the 1999 destruction have resulted in an institutional vacuum for effective interaction with rural communities. The Government is beginning to address this through the nascent local administration and legitimization of local leadership through elections. In the interim, a plethora of donor and NGO activities focused on rural development, each with its own procedures has strained the limited national and local capacities.

UNDP globally is positioning itself as primarily a policy advisory and advocacy agency, and a partner of preference for governments, with a special mandate to press for improved governance and poverty reduction. The promotion of local governance in Timor-Leste accords well with this mandate. It has a direct bearing on poverty reduction, especially the “underemployment,” “service access” and “disempowerment” dimensions of poverty in the rural areas. It is a policy area of national importance and concern. The Constitution, the NDP, and the priorities of the Road Map, all emphasize decentralization and participation of communities in local governance. It is an area where UNDP can bring in wide international policy experience, through its own global networks and through such sister agencies as United Nations Capital Development Fund (UNCDF).

a. Ainaro and Manatuto Community Activation Programme (AMCAP)

AMCAP aims to assist communities in recovering from the aftermath of the 1999 violence, reducing their vulnerability in food supply and income generation with active participation of community members throughout the process. Agricultural development will be the point of entry.

Having commenced in the second half of 2002, AMCAP will accelerate implementation of its community level activities in Ainaro and Manatuto Districts. In close collaboration with FAO and UNV agricultural experts, local extension workers will facilitate introduction and demonstration of new agricultural techniques in livestock development, reforestation and environmentally viable farming systems. Community-led rehabilitation of irrigation systems will be undertaken in select communities. Completion of Ainaro Community Training Centre (ACTC) will facilitate the conduct of various agricultural training programmes for beneficiary farmers.

Preventive healthcare, basic nutrition, sanitation, post-conflict community reconciliation and women's empowerment will be other important intervention areas, which the project will assist for sustainable community development.

b. Oecussi Community Activation Programme (OCAP)

The Oecussi enclave was formally created as a result of the 1916 Treaty between the two previous colonial powers, the Portuguese and the Dutch, who divided and ruled the Timor island for centuries. During Indonesian administration, the revenue from grazing of Bali cattle provided regular income to the residents of Oecussi. With the establishment of the independent nation of Timor-Leste in May 2002, however, Oecussi once again faces the reality of having an international border, which has severed its traditional socio and economic links with West Timor.

With an estimated population of approximately 45,000, virtually all families in Oecussi are subsistence farmers, and it was reported that almost in 90 percent of its sucos, families normally do not have enough food during the months of December, January and February. Family labour is predominantly devoted to growing food crops, which are basically for home consumptions with negligible quantities being sold for cash income. The physical isolation from the rest of the country significantly increases the transaction cost of any possible economic activities. This project will help the residents of Oecussi identify and implement development activities to enhance food security and sustainable income generation.

c. Economic Empowerment of Women Programme (EEWP)

Timor-Leste is characterized as a male dominated society where women are generally discouraged from participating in decision-making and economic activities, which are fundamental aspects of empowerment. The aftermath of the 1999 violence resulting in destruction of infrastructure, loss of productive assets, disruption of basic services, and loss of economic interaction is believed to have taken a heavier toll on the low-income population, and particularly female-headed households.

Building on the successful pilot activities by CARE International in Covalima, which adopted a globally tested self-help approach, the project will provide motivated vulnerable women in Aileu, Covalima and Lautem districts with opportunities to be in charge of their own economic decisions and self-reliant. The target groups will be guided through the formation of self-help focus groups, functional literacy, entrepreneurial skill development, planning of micro-enterprise activities and management of financial resources. This would in turn reduce their vulnerability and strengthen their social standing. The project will also support the establishment of a local support structure through strengthening local NGOs or community based organizations as providers of some of the required services.

d. Community Development and Local Development Fund (LDF)

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.

e. Recovery, Employment and Stability Programme for Ex-combatants and Communities in Timor-Leste (RESPECT)

Under-employment and lack of employment opportunities for the East Timorese, especially vulnerable groups of society, including ex-combatants and others, pose one of the greatest threats to the stability of the country. The Council of Ministers of Timor-Leste, on 22 January 2003, approved eight immediate priorities to be part of the Government's 'Stability Program'. The fourth immediate priority is specified as "Job creation", which should be part of all programs from every sector, with particular focus on r youth and ex-combatants.

In order to provide socio-economic support to vulnerable groups of society, the RESPECT will assist with a variety of inter-linked projects whose overall aim is to provide both short and medium/long term employment and sustainable livelihood opportunities to these people. Commitment and participation of communities in RESPECT process (such as targeting of beneficiaries, identification, design, planning, and implementation of micro-project activities and management of infrastructure) will be crucial to promote sustainable employment opportunities for their most vulnerable members, including ex-combatants, widows, disabled people, unemployed youths and others.

In particular, the RESPECT will provide and enhance opportunities for employment and income generation through support activities in the areas of agricultural development and reforestation, labour intensive development of small-scale infrastructure, and vocational training and micro-enterprise development.

f. Food and Agricultural Development Programme (FAD)

The agricultural sector dominates Timor-Leste's economy. It accounts for the largest share of GDP among the productive sectors, and is the main source of livelihood in 94% of the villages. It provides 80% of the food and other subsistence requirements

of rural households. The agriculture sector will continue to be the key sector in Timor-Leste's development in the medium-term. The 1999 violence affected the agriculture sector to a lesser extent than the urban economy. However, marketing channels and agricultural support systems were either dismantled or destroyed.

The first NHDR rightly mentions that the core of development strategy must be to make agriculture more productive by helping farmers improve yields of staple crops, while developing cash crops. This will have to be a part of an overall strategy of rural development that would include, improving roads and irrigation systems, and offering credit and other essential support services to farmers. The NHDR further mentions that this will require a style of development that is driven by local demand.

Maize and rice are the staple food crops for the population with rice being the preferred food. Tubers including cassava and sweet potato are additional sources of calories especially to the poor. Seasonal food shortages are widespread during the lean months of November to February, when neither maize nor rice are harvested. Therefore, for both national and household food security, increasing the productivity and production of these two staples should receive the top priority in agricultural development. There is considerable potential to increase the output of these two critical staples. The first priority will be to enable the poorest communities, particularly in upland areas, to build food security and alleviate poverty. This will involve the provision of extension and other support services and strengthening the farmers' capacity in production of food-crops, animal husbandry and forestry. The NHDR also recommends that it will be important to maximize the potential of cash crops and invest in national fishery capacity and introduce licensing of foreign vessels.

g. Vocational Training for Employment Generation

Much has been written about the need for human resource development through vocational education and training (VET). The case for a major intervention under current conditions in Timor-Leste is clear. The present artificial wage and price levels in Timor-Leste influenced largely by past and present large foreign presence, do not allow existing levels of productivity to achieve the expected level of pay - with the exception of a few enclaves largely linked to the UN/foreign presence and the growing oil and gas sector. Reducing wages to match existing levels of productivity is difficult since the required decline would be too steep to preserve social stability, especially in the urban areas. Also, VET has to address a number of key issues including low skill levels, and the lack of adequate private and public sector job opportunities to absorb on the one hand the large number of unemployed, especially among those aged 18-30, and the increasing number of new entrants to the labor force. Therefore, the thrust of VET in urban areas needs to be on improving skills especially for SME and self-employment.

The rural subsistence economy is different, since not much cash is available and wage expectations are more realistic. Consequently the VET strategy in rural areas will focus, in the first instance, on upgrading farming skills on the one hand and imparting skills for self-employment off the farm. The VET will use existing institutions as far as possible, linked to the training of new trainers and use of mobile teams. UNDP will assist in the expanded provision of VET primarily responding to market demand, using existing institutions, with upgrading of the skills of their personnel and facilities as required.

4.1.3. Infrastructure

Infrastructure has broad-based implication to a development process by enabling the delivery of basic services that address many issues affecting people's vulnerability to poverty such as health, sanitation, education, logistics and agricultural productivity. UNDP support for the rehabilitation of large-scale infrastructure will continue in the following 6 areas, most of them completing by the end of 2003.

UNDP support is not limited to physical rehabilitation of infrastructure. Each project provides short-term employment opportunities to a significant number of local workers who are carefully selected by concerned communities themselves. While the workers receive basic skill training, those found capable have been retained by contractors for further training and longer-term employment. Local private companies are engaged to undertake subcontracts where relevant skills are available.

a. Rehabilitation of Dili Water Supply System, Phase I & II

The two projects will enable increased production and delivery of reliable and safe water for the residents of Dili leading to improved health and sanitary conditions. The phase I implements rehabilitation and upgrading of the water production facilities improving their performance. In parallel, the management capacity of the water and sanitation authority will be enhanced through establishment of operation and maintenance manuals and practical training. The phase II project will rehabilitate a water distribution system in prime residential areas by renewing pipelines and arresting water leakages.

b. Rehabilitation of Rural Water Supply System

Water supply system will be rehabilitated in the three towns identified as being most in need, namely Liquica, Manatuto and Los Palos. The project is expected to improve the health and living standard of over 32,000 residents.

c. Rehabilitation of Dili Port, Phase II

The phase I project restored navigational equipment and fenders around wharfs to secure safe port access for in-coming reconstruction materials. The project is also regarded highly successful in terms of cost recovery. Cargo handling fees and revenues from the customs services have become an important source of income for the national coffers. The phase II will upgrade the cargo handling capacity, improve operational safety and enable all weather operation, through the extensive rehabilitation of select facilities of the port.

d. Rehabilitation of Faculty of Engineering Building in Hera

Educational institutions are the key to the creation of a skilled labour force. Engineering skills, in particular, are fundamental for the reconstruction and development of physical infrastructure. The project will rehabilitate the damaged buildings of the former Hera Polytechnic and equip them with engineering tools and equipment, enabling approximately 450 students to be trained each year.

e. Lacleo Irrigation System

Laclo is one of the major granaries in Timor-Leste. The objective of this project is to alleviate the poverty of farmers by enabling them to restore double rice cropping cycle. When restored, the irrigation system will supply water to the irrigable area of 660 hectares and increase annual rice productions by at least 2,200 tons. In addition to the physical rehabilitation, the project also assists the farmers in establishment of a water user's association, which will be responsible for future maintenance and operation of the restored system.

4.2. Governance and Capacity Development

Good governance, including the rule of law, participation by the governed, equity, effectiveness, efficiency, transparency and accountability, are all essential for human development. Governance is defined as "the exercise of economic, political and administrative authority in the management of a country's affairs at all levels. It encompasses the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences" (UNDP Policy Document, 1997). Governance not only encompasses the state, but also involves the private sector and civil society. One of the most important challenges facing Timor-Leste is to create a system of governance that promotes, supports and sustains human development.

The challenge is to create a system of governance that promotes, supports and sustains human development.

Popular participation is the cornerstone of good governance. It is characterized by the extent to which participation takes place and the manner in which stakeholders express their voice in the decision making process. It also entails an impartial application of the rule of law such that in the process of law enforcement, all the rights of the individual are protected. In addition, good governance ensures transparency and a free flow of information and accessibility to the processes, institutions and information itself. It further ensures that decision-makers are accountable to those on whose behalf they make decisions. Good governance also entails equity through which all stakeholders get equal opportunities to improve their wellbeing. And, finally, good governance ensures effectiveness and efficiency, characterised by processes and institutions that serve identified needs through cost effective methods of carrying out tasks.

The different dimensions of governance can be described under four broad areas, which are overlapping. These are: (i) political governance, (ii) administrative governance, (iii) economic governance, and (iv) societal governance. Political governance embraces decision-making and policy implementation by a legitimate and authoritative state, which represents the interests of the society and allows citizens to freely elect their representatives. Economic governance encompasses the process of decision making with respect to economic activities and as such influences societal issues such as equity, poverty and quality of life. Administrative governance provides an efficient, independent, accountable, and impartial public administration system. Societal governance includes the processes and structures of society, which guide political and socio-economic relationships, protect cultural and religious values and create an enabling environment for sustainable improvement in the quality of life of the people.

Governance is only good if it can promote the rule of law, independence of a competent judiciary, the search for effectiveness, efficiency and value for money, responsibility and accountability, equity and fairness, transparency, integrity, ethical

behavior as well as to ensure that political, social and economic priorities are based on broad consensus in society and that the voices of the poor and vulnerable are heard in the process of decision-making on the allocation of development resources.

UNDP's primary interest lies in how effectively the state can deliver its services to the people. In this regard, the institutions of governance must be designed to contribute to sustainable human development through the creation of political, legal, social and economic conditions for poverty reduction, job creation, environmental protection and the empowerment of women. Within the priorities and strategies of the NDP, the UNDP supports the following programme areas:

Human resources development in Timor-Leste is a priority.

1. Democracy and Participation
2. Justice and National Reconciliation
3. Public Administration Reform and Capacity Building

4.2.1. Democracy and Participation

The fundamental elements of any nation-building process include the establishment of democratic institutions and increased awareness among people that they are part of the democratic process. A functioning national oversight mechanism and a strong civil society are important ingredients. Access to information and transparent mechanisms that ensure free and fair elections are key means. The UNDP works to promote democratic institutions and participation. This involves support to the National Parliament, the electoral process, local government, civil society organizations on the one hand and improved access to information including civic education, on the other.

a. Parliament Support Programme

The National Parliament requires significant support to firmly establish its functions and effectively fulfill its legislative, oversight and representational mandates. Most Members of Parliament (MPs) have been elected to a legislative body for the first time and are inexperienced in parliamentary procedures and Plenary and Commission processes. Few MPs have experience in carrying out significant analyses of draft laws. Parliamentary staff members are not trained in legislative drafting, and the Secretariat currently has no capacity for the provision of research and analytical support. Organizational structures and support services for the National Parliament have only recently been finalized. It is therefore crucial to enhance the capacity of the National Parliament to a level where it is able to perform its functions and communicate its efforts and work in a way that increases people's trust in their representatives. UNDP will assist the Parliament including its Secretariat in these areas.

The National Parliament still requires support from the international community.

b. Electoral Support Programme

Linked to the area of representation and oversight are electoral processes, which so far received substantial donor support. UNDP played a crucial role in organizing the Constituent Assembly elections in 2001 and the Presidential elections in 2002. It is envisaged that local elections will take place towards the end of this year and extend into early 2004. The Technical Secretariat for Electoral Administration, which has recently been placed under the Ministry of State Administration, has limited experience in the operational aspects of elections. Assistance is therefore required

for drafting the electoral legislation and capacity building of the Technical Secretariat. In addition, support is required for voter registration and education. UNDP will provide assistance to fulfill these needs. These efforts will help ensure free and fair elections in the country.

c. Civil Society Organization Support Programme

The NDP also advocates “strengthening an already robust civil society and create opportunities for its constructive engagement and participation in national life and enhance the participation of citizens in public and national affairs.” Civil society organizations (CSOs) are expected to play important roles both in the implementation of some sectoral programmes, as well as in planning and monitoring. In mid-2002 UNDP conducted a situation analysis of CSOs, which presents a positive overall picture of the state of civil society and CSOs in the country. People are freely forming CSOs, the number of which has grown rapidly and the environment in which they are operating is broadly supportive and conducive. At present, over 250 national NGOs are registered with the NGO Forum. In addition, many informal citizen organizations and structures exist throughout the country. There is a solid base of collective organization and in many places a strong commitment to taking initiative to identify and solve community problems. CSOs have a range of strengths including commitment, energy and an ability to adjust to new situations. There is also a desire to contribute to the development of the nation and to the promotion of democratic development and human rights, and an existing commitment to voluntary activity and collective involvement at all levels. Keeping in view the important role of CSOs in national development, UNDP intends to continue supporting them over the next few years.

Only a strong civil society can play an important role in the planning, implementation & monitoring of sectoral programmes.

d. Civic Education Programme

Over the past two years many national and international actors have been involved in citizen/civic information and education. However, most of the civic education programmes undertaken during the period were strongly oriented to the holding of the elections and the transition to independence.¹⁵ There are clear indications of the importance of civic education that goes beyond voter education. There are frequent references to civic education in “East Timor 2020: Our Nation, Our Future,” which encapsulated the vision and priorities of the people captured through the Countrywide Consultation with Civil Society in early 2002. This document and the NDP highlight the need to empower the poor through popular participation, civic education and community mobilization. They advocate the implementation of civic education and reconciliation programmes to respect women and women’s rights, organize literacy programmes for women, introduce civic education and democracy courses in schools. They argue for clear definition and dissemination (through radio, TV and other media) of the rights and obligations of citizens and civil servants. UNDP will continue its support to civic education.

¹⁵ A lot of effort was devoted to informing people about the purposes of the elections, the voting system, and the voting process. Considerable emphasis was placed on dissemination of the principles of democracy and the role of elections. Some civic education providers focused heavily on the development of political parties while others concentrated their efforts on enhancing the role of the media in building a strong democracy. Civic education activities also focused attention on the consultations on the Constitution and on the May 2002 Independence process. A 2001 evaluation report noted, “civic education objectives became directly focused on electoral aims.”

e. Local Government Options Study and Implementation Support

Since Independence in May 2002, the critical role of local government in facilitating the delivery of services effectively at local level has come sharply into focus. This is critical in Timor-Leste where the geographic distribution of the population is sparse and many communities are located in remote areas. The Government recognizes the importance of defining a policy and an institutional framework for local government within a broad decentralization strategy.¹⁶

Sparse agglomerations of population hamper the delivery of services

Review and redefinition of the policy and institutional framework for sub-national government, including the representative mechanisms at each level, the service delivery roles, the fiscal powers and responsibilities is needed. The Ministry of State Administration 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. The creation of local representative government nurtures democracy. It facilitates increased interaction between local officials and the citizens and accountability of the former to the latter. It enhances the overall quality of governance. From a development perspective, there is strong evidence that many of the basic local public investments and services required for poverty reduction and attainment of MDGs are provided more effectively, accountably and sustainably, but not necessarily produced, by local government than by central agencies.

Decentralization facilitates the process of delivering services to the communities in rural areas

Building upon the ongoing partnership with Ireland in this area, the UNDP will support the Government in choosing the options most appropriate to the specific situation of the country and in developing suitable mechanisms to implement the decentralization programme. The latter would include such aspects as the allocation of block grants to sub-national units as well as an umbrella local development fund for financing development initiatives of local peoples.

f. Information Strategy and Access to Information

The Internet Project provided for establishment of a computer training center for the public at the University and access to the internet for civil society organizations (CSOs) in Timor-Leste. It has been a highly successful initiative, which enabled many CSOs to learn about similar organizations in other countries, establish contacts and enter into partnerships in some instances. With the change over in the telephone/internet service provision under a build, operate and transfer (BOT) contract resulting in much higher tariffs, UNDP's support to provide access to the Internet has been limited to the Government and foreign missions beginning in April 2003. However, the cost of accessing the Internet through the private provider under the BOT contract may be prohibitive for many smaller CSOs. It is necessary to explore other options to assist these CSOs. Also, it is planned to assist the Government in the formulation of an Information Communication Technology (ICT) strategy to meet the medium and long-term requirements.

4.2.2. Justice and National Reconciliation

The NDP states that "The Courts (in the widest sense of the judicial system, including all three essential elements of judge, prosecutor and defender), shall

¹⁶ Completion of the study on Decentralization Options is a benchmark in the FY2003 TSP Action Matrix.

- (a) Guarantee access to prompt, transparent and equitable justice for all; and
- (b) Administer justice of technical quality independently, with respect for citizenship rights, sensitivity to cultural values and popular participation and involvement.”

The Government’s Stability Programme also emphasizes the “...strengthening of the capacity of the justice system, including both formal and customary systems,”¹⁷ as one of its immediate priorities.

Effective and efficient legal and judicial systems are the cornerstones of good governance. It is often the poor who face most insecurity and violence, and need safety and security to improve their economic position and quality of life. Just and effective mechanisms to resolve disputes are necessary for peace and nation building, particularly in post-conflict situations. Recent incidents underscore this and emphasize the importance of strengthening the justice system in Timor-Leste as a matter of priority.

Effective and efficient legal and judicial systems are the cornerstones of good governance.

a. Justice Sector Development Support Programme

In August 1999, there was not a single judge in the then territory of Timor-Leste and only some 70 persons with legal training. By 2000, after some crash courses, 25 judges, 13 public prosecutors, 10 public defenders and 12 registrars or clerks were appointed by the UNTAET on a probationary basis.¹⁸ Apart from these state employees, whose number has since declined even further, there is a general dearth of jurists in the country – a shortage that is likely to continue for some time.¹⁹

The need for long term development and strategic capacity building of the justice sector is recognised. The UNDP, in conjunction with the Government of Timor-Leste, and the institutions in the judicial system has developed a comprehensive framework for technical assistance to the sector spanning the next 3 to 5 years. The project identifies interventions to build the capacity of the three main pillars of the justice system – the Judiciary (including the Superior Council for the Judiciary, the Court of Appeal and the District Courts), Public Prosecution Service, and the Ministry of Justice (including the Judicial Training Center, the Public Defender’s Office and the Prisons). The overall strategy is to develop capacity to deliver more efficient services. Capacity development is divided into several elements to increase access and improve the quality of services. They include the number of cases prosecuted and resolved in court, including a reduction of the relatively large case backlog, with due regard to legal aid.

b. Reception, Truth and Reconciliation Commission Support Programme

In a post-conflict society like Timor-Leste, the formal justice system does not have the capacity to deal with most crimes committed prior to 25 October 1999. Resolving the crimes through the truth, reception and reconciliation process helps to

¹⁷ This was number 2 on a list of 8 immediate priorities, adopted in the Council of Ministers in January 2003.

¹⁸ These figures do not take into account the appointment of international judges, prosecutors and public defenders that were mostly assigned “Serious Crimes” cases.

¹⁹ In addition, the UNTAET established the Special Panels for Serious Crimes, which is part of the Dili District Court, and the Serious Crimes Investigation Unit.

heal the many psychological, social and societal scars that continue to fester the population. The Truth Commissions can document facts in a conflict and rebut innuendo and rumors spread by militias and governments that perpetrated the human rights abuses. The Commissions can elicit what went wrong and make recommendations to deter future abuses from recurring.

This UNDP project will support the operations and objectives of the Commission for Reception, Truth and Reconciliation (CAVR) in Timor-Leste. In doing so, the project will contribute to promoting reconciliation, supporting sustainable peace-building mechanisms and preventing future violence and human rights violations.

The project will (a) provide direct support to the CAVR's operations, and (b) seek to achieve the following four objectives: (i) strengthen the Community Reconciliation Procedure (CRP) process by providing resources to accelerate the processing of outstanding perpetrator applications and visiting communities in which the CRP process has taken place to assess reintegration of perpetrators and provide support to victims; (ii) produce an in-depth analysis of the CAVR's CRP process, in particular its integration of formal law and traditional, local conflict resolution mechanisms as a model for other countries; (iii) enhance the analysis and writing of the CAVR's final recommendations and report, as well as maximize the utility of the CAVR database by assessing and revising methodologies when necessary; and (iv) improve outreach to the people of Timor-Leste by increasing the access of local communities to information about the CAVR and its objectives.

c. Capacity Development and Support to Veterans' Commissions

Another issue that is a potential source of instability is the veterans. It is being addressed through the establishment of two Presidential Commissions to oversee the process of registration and verification of all people involved in the armed struggles from 1975 to 1979 (ex-combatants) and 1980 to 1999 (veterans) – together referred to as veterans in the following. The two Commissions are mandated to register and verify the veterans and recommend alternative policies and approaches to address their needs. Financial and logistical support and technical assistance is being provided by UNDP together with the World Bank, Ireland, the United Kingdom and the United States of America to the two Veterans Commissions to carry out their mandate. Additional assistance will be provided by the UNDP to the two Commissions to complete their work.

d. Timor-Leste National Police (PNTL) Capacity Development Programme

Recent research and reports confirm that lack of security affects the poor most. For example, a recent article states, "... without basic safety, security and access to justice it will be impossible for poor people to improve their quality of life, or work their way out of poverty."²⁰ Security sector in this context includes the police, those parts of the judiciary that contribute to safety, security and access to justice, and a whole range of other institutions, like the intelligence services and armed forces. With the UNMISSET/UNPOL mandate terminating in the first half of 2004, it is imperative to accelerate the transition of the National Police of Timor-Leste (PNTL)

²⁰ Geoff Bredemear, "Challenges and Comparative Advantages," paper presented at the UNDP Conference on Justice and Security Sector Reform, Oslo, 10-11 April 2003.

into a fully functioning and sustainable East Timorese institution. However, the PNTL lacks adequate managerial and administrative support or “back-office” capabilities to support its operations. The police service needs to build the capacities to manage its planning and budgetary processes, human resources, assets and logistics. The PNTL requires support to build its own managerial and administrative support as soon as possible. This support would contribute significantly to the development of the PNTL into a sustainable institution. The UNDP, together with UNMISSET and other donors, will provide assistance to PNTL to build their capacities and facilitate a smooth transition.

4.2.3. Public Administration Reform and Capacity Development

Building a viable Timor-Leste Civil Service has been one of the most difficult aspects of the UN’s mandate (see Report of the Secretary General S/2002/432). Institutions and public records were destroyed or removed in 1999, and an estimated 7,000 Indonesian civil servants fled the country, leaving a vacuum in all areas of government. The development of East Timorese skills in the areas of administration and governance was very limited during the years of Indonesian rule, and the majority of the technical as well as senior and middle-level management positions in government were occupied by Indonesian officials. The human resource base is therefore weak.

As a result, a comprehensive approach to capacity building is essential to construct a Civil Service that is capable of meeting the citizen’s needs. The foundation of this approach is a clear strategy that provides an overall framework for improving Civil Service and defines how to achieve these objectives. In addition to this foundation, three key pillars are needed: 1) Skills and knowledge; 2) Systems and Processes; and 3) Attitudes and Behaviours. The efforts of UNDP in the area of Capacity Building are focused on assisting the Government in formulating its strategy for the Civil Service as well as constructing the three pillars required for Civil Service improvement.

a. Capacity Development for Human Resource Management in the Civil Service

Supporting Public Administration reform in Timor-Leste is critical to poverty reduction and human development. As the National Human Development Report notes, “much of the responsibility [for human development] in the early years will fall on the government and the public sector.” Moreover, “no matter how good the official policy on the many strands of human development, these efforts will be thwarted if the public institutions are incapable of implementing them. “Any weaknesses or failure of these [government] services will be a serious obstacle to progress in human development” (NHDR 2002:32).

The Governance and Public Service Management (GPSM) Framework identified major challenges, with strengthening Human Resource Management identified as a priority. The public service requires an adequate institutional framework and rules and regulations covering such aspects as recruitment, promotion, and disciplinary actions including dismissal. The draft Civil Service Act has been finalized based on consultations with stakeholders and is expected to be sent to the Parliament soon. Enactment of the legislation will provide the required legal framework for the civil service.

Strengthening the human resource management in the public service is a priority. This is to be accomplished through the establishment of a database on civil servants, placement and training of human resource personnel in key Ministries and development of specific human resource development strategies in key sectors (e.g. Education, Health and Planning and Finance).²¹ This will be carried out within the overall framework of the GPSM, which is being reviewed and will be revised to respond better to the changing circumstances.

Strengthening the human resource management is a priority in Timor-Leste.

b. Support to Development Posts for the Government of Timor-Leste

When Timor-Leste became independent in May 2002, continued support by international personnel in most areas of public administration was considered essential. Approximately 300 positions were identified as necessary to help East Timorese officials to perform basic government functions. Of these, 100 were categorized as “stability positions”, and were funded through UN assessed contributions as part of UNMISSET.²²

The remaining 200 positions, categorized as “development posts”, were to be funded voluntarily by donors. Because many of the donors expressed a preference to channel their support through UNDP, a “Support to the Development Posts” project was established by the UNDP for this purpose with an objective of 35 positions. Capacity development under the project required the international advisors to provide training and mentoring to East Timorese counterparts and to transfer knowledge to enable counterparts to better perform their jobs. About 60 of the 200 posts have been filled so far.

Capacity building involves providing training, mentoring and transfer of know-how.

A November 2002 workshop on the roles and functions of international advisors, in which 138 advisors participated, identified six major problems from which a strategic action plan was formulated. The six major issues and associated remedial actions are: (i) difficulty in communication and insufficient cultural sensitivity - overcome communication and cultural barriers; (ii) line functions performed by advisors - ensure that line functions are performed by counterparts wherever possible, (iii) lack of experience of counterparts - enhance the capacity of national counterparts, (iv) counterparts and/or advisors posts not filled – fill the posts as soon as possible, (v) lack of basic law - enact basic laws, and (vi) need to develop exit strategy – develop exit strategy. The Capacity Development Coordination Unit (CDCU) in cooperation with the UNDP and the UNMISSET is undertaking these actions.

UNDP’s “Support to the Development Posts” project has to date attracted US\$ 7.3 million, including pledged contributions. It is estimated that the project can recruit 85 to 96 advisors, depending on contractual modalities. In addition, there are currently 25 bilaterally funded advisors, and it is anticipated that another 20 bilateral advisors may be on board in the near future, according to the pledges made by donors so far. This means that there are at least 70-80 posts, which will not be filled at all, if further funding is not secured.

²¹ These are some of the key items included in the Action Matrix under TSP II.

²² The personnel in the 100 stability positions were to perform line functions and fill the gaps in skills, which was considered to be vital to the stability of the day-to-day running of government including the delivery of essential services.

In April 2003, the joint CDCU-UNDP Capacity Development Strategy Mission found that although the 100 and 200 posts had succeeded in gap-filling following independence, the level of capacity required to implement Annual Action Plans would need to be strengthened using new modalities like inter-ministerial advisors working alongside intra-ministerial advisors. Pilot projects exploring the former will come into focus from May 2003 onward, until the project can be fully transformed in May 2004. These pilot projects highlight the need for increased focus on institutional development, on the one hand, and the imparting of management and other cross-sectoral skills on the other.

c. Support to the Offices of the Inspector General and the Provedor

From twenty-four years of occupation, the legacy of low levels of work ethics, overstaffing, a culture of dependence, complex administrative procedures, pervasive corruption, lack of public participation, and nepotism are challenges facing today's public administration in Timor-Leste.

As part of UNDP's efforts to build the capacity of the public sector, assistance is being provided to the Office of the Inspector General. It includes strengthening the institutional set-up of the Office through the establishment of a Resource Center comprising learning materials on such aspects as auditing, inspection and investigation. The staff from the Office and other departments could utilize the facility and the literature and other materials. Also, the Office has published and distributed widely pamphlets on subjects such as collusion, nepotism, bribery and corruption.

If required, UNDP intends to continue its support to the Office of the Inspector-General, an investigative body within the Government created to promote a culture of responsiveness, accountability, transparency, and integrity among civil servants, and combat the risk of inefficiency, mismanagement and corruption.

In addition, assistance will be provided to the Office of the Provedor (or ombudsman), a high level institution that is being established to provide recourse to citizens on their complaints about the grievances towards Government officials.

d. Strengthening the Capacity of the Ministry of Foreign Affairs and Cooperation

The UNDP is providing assistance to the Ministry of Foreign Affairs through the "Strengthening the Capacities of Foreign Relations" project. It contributed to uplift the capacities of various staff within the Ministry to efficiently and effectively implement their tasks. The specific entities benefiting from the project include the Protocol Unit, Regional, Legal and Treaties, Multilateral, Media and Consular Divisions. It included the development of language and negotiation skills. The focus of the proposed assistance will be to support policy development and capacity building of the staff.

4.3. Environment and Natural Resources Management

As referred to earlier, the majority of the Timorese are dependent on subsistence agriculture. The poor, particularly those living in rural areas, rely on a range of natural resources including common property resources for their livelihood. The exploitation of these resources, especially in ecologically fragile areas, risks environmental damage and sustainability. This requires that environmental policies, programmes and projects be integral parts of the development strategies.

The Government of Timor-Leste is still in the process of developing the responsibilities and functions of various Ministries/Agencies on managing the natural resources and protecting the environment. At present, several departments including those in the Ministries of Development and Environment, Agriculture, Fisheries and Forestry, and Transport, Communications and Public Works handle environmental issues. The Division of Environment in the Ministry of Development and Environment (MDE) has very limited resources and expertise to manage the various tasks. Even though the natural resources and environment are recognized as important assets of the country in the Constitution, regulatory frameworks are yet to be established. Information on environmental status is scarce and environmental legislation that can secure sustainable use of natural resources, livelihood, living conditions and health has yet to be established. The country is also new to multilateral agreements on the environment.

Environmental degradation in Timor-Leste is closely linked to poor watershed management and agricultural malpractices.

The NDP goals for the sector covered the establishment of enabling legal and regulatory frameworks, institutional and capacity building, and development of the natural resources and the environment. Several projects such as development and implementation of environmental legislation, national environmental policy, and policies for development of catchments and coastal areas, and capacity building, have been identified as priority areas.

During the 24-year occupation, Indonesian nationals, who returned home after the referendum in 1999, filled the bulk of technical and professional positions in the civil service including the forestry sector. There is a dire lack of technical and managerial capacities in natural resources management (NRM). Legislative, institutional and management structures have to be rebuilt and an effective system established to conserve Timor-Leste's natural resources and manage them for the sustainable long-term benefit of the nation.

4.3.1 Environmental Governance Capacity Development

In its Country Programme Outline, the UNDP has highlighted the importance of policy support to ensure environmentally sustainable development of Timor-Leste. In the strategic results framework, formulation of the national environmental policy and legal and regulatory framework for environmentally sustainable development are identified as important areas of support for the UNDP. Prior to 2003, the environment portfolio was managed as a complement to Community Development under the overarching Programme on Poverty Reduction. In February 2003 the Environment and Natural Resources Management Unit was established and an environment mission was fielded to help the country identify priorities for the UNDP intervention in the environment sector. A Draft Programme Outline has been produced, which outlines the challenges and entry points for the UNDP's assistance. It is intended to further develop the environment portfolio to support the Government of Timor-Leste in the management of the natural resources and the

Environmental governance is key to preserve and secure an equitable and sustainable use of resources.

environment, enhance the well being of the people, and contribute to the achievement of the global environmental goals.

For the Government of Timor-Leste, the development of an environmental governance framework is the first priority as reflected in the NDP. Areas such as environmental law, policy on catchments/coast and national environmental policy are main components in the government project outlined for UNDP support during the period 2003 to 2007.

4.3.2 Rural Energy Development in Timor-Leste

There is very little data on the energy consumption in the country. It is understood that five types of fuels are currently meeting the energy demand – fuel wood, diesel, gasoline, kerosene and small amounts of LPG. Diesel is used mainly for power generation, transport and fishing; and gasoline in transport. Fuel wood, kerosene and LPG are used mainly for domestic cooking and in the few small-scale businesses such as ceramic factories, bakeries and restaurants. Since the removal of the kerosene subsidy in 1999, reliance on fuel wood has increased, and fuel wood has become an important tradable commodity. This has evidently put pressure on the forests, particularly around cities and towns with relatively high population density. However, data and information are lacking on the impact of the increased use of fuel wood on deforestation and land degradation. The project aims to develop alternative rural energy options to facilitate the selection of an appropriate option for adoption and implementation by the Government.

Fuel wood is the main source of energy for cooking

4.3.3 Efficient Utilization of Household Fuel

The proposed intervention by the UNDP would aim at a better understanding of the current situation through a detailed assessment of the energy use in the household sector. Based on the assessment, suitable measures and alternatives are to be proposed and demonstrated. Due to the relatively high unemployment and underemployment as well as the overall incidence of poverty, it is evident that fuel wood has become a freely accessible resource to generate income for some of the poor. A survey on fuel wood sources and trade would be conducted in order to understand the linkages between fuel wood use and deforestation and between income generation and fuel wood trade. Drawing upon the results of the survey, it is expected that the proposed intervention may include the promotion of efficient kilns and stoves, as well as the use of alternative fuels, such as LPG, particularly in Dili and other urban areas.

4.3.4 Sustainable Management of Timor-Leste's Biodiversity and Natural Resources

Timor-Leste is heavily dependent on its natural resources. However little has been done in the past (under Indonesian or Portuguese occupation) to develop an effective system to understand, manage and conserve the natural resource base of the country. Few surveys of biodiversity or forestry resources have been conducted, particularly in recent years, and little accurate information is available on the natural wealth of the country. The project will assist the Government in compiling some of the essential data on the natural resources and biodiversity and formulate policies for effective and sustainable management of these.

5. Programme Costs and Financing Requirements

5.1. Summary Programme Costs and Financing Requirements

The total cost of the proposed programmes spanning the next three to five years is estimated to be \$100.6 million, including \$34 million in secured funding for infrastructural projects. The balance of about \$66.6 million divided by programme areas is shown in Table 1. Of this total, about 16.9 million in funding has already been secured and it is necessary to mobilize the balance of about \$49.7 million to fully fund the proposed programmes over the next three to five years. Details on the cost estimates by programme and project are provided in Annex 1.

Table 1: Total Costs and Funding Requirements (in \$'000) *

Programme Areas	Funding Required	Funding Secured	Funding Gap
Poverty Reduction and Community Development			
Policy Support for Poverty Reduction	3,630	1,092	2,538
Community Development and Employment Generation	29,158	4,607	24,550
Governance and Capacity Development			
Democracy and Participation	7,493	1,547	5,946
Justice and National Reconciliation	5,060	994	4,066
Public Administration and Capacity Development	18,396	8,343	10,053
Environment and Natural Resource Management			
Environment and Natural Resource Management	2,858	300	2,558
Total	66,595	16,884	49,712

* This table does not include \$34 million in approved infrastructural projects.

5.2. Resource Mobilization

UNDP will undertake consultations with Timor-Leste's development partners to mobilize the additional resources. UNDP's extensive experience with resource mobilization, and aid coordination and management makes it attractive for development partners to channel their assistance to Timor-Leste. It provides an important opportunity for UNDP to influence policies in support of sustainable human development.

As seen in Section 3.5 above and Annex 3, a key aspect of UNDP's operations in Timor-Leste has been the significant cost sharing that the programme has attracted from a wide range of donors. Advocacy and partnerships with key donors will be further strengthened and expanded through their continued involvement in project steering committees and in regular meetings with donors. UNDP will strengthen its efforts to meet fully the reporting and accountability requirements of the donors. These would be further articulated within the framework of a resource mobilization strategy for the activities envisaged in this Document.

6. Programme Management

6.1 Partnerships

Over the past three years, UNDP has made significant progress in strengthening its partnerships and marshalling the resources it needs to support to rebuild the country and to assist in the formulation and implementation of the NDP. UNDP sees partnerships with different stakeholders as indispensable means to achieve development impact and strives to nurture its working relationships with the host government, civil society organizations, the private sector, donor countries, international financial institutions/regional development banks, and rest of the UN system. Thus, UNDP is better prepared than ever before to help Timor-Leste attract human and financial assistance and utilise it effectively.

While a lot has been achieved in the various areas of partnership, there is a need to renew the level of the partnerships to focus more on development impact. This will require careful dialogue and improved coordination in the months to come. Partnerships with United Nations agencies will be consolidated through the UNDAF process and through identification of joint programming areas. The hitherto weak partnerships with the private sector needs to be improved and UNDP is making an effort to explore areas where it can develop effective partnerships with the private sector.

6.2 Results-based Management (RBM)

The objective of the RBM is to provide a coherent framework for strategic planning and management based on learning and accountability in a decentralized environment. It aims to improve management effectiveness and accountability by defining realistic expected results, monitoring progress toward the achievement of expected results, integrating lessons learned into management decisions, and reporting on performance.

UNDP Timor-Leste has been implementing the RBM framework with the use of the Strategic Results Framework (SRF) and Results-oriented Annual Report (ROAR) in the last two years.²³ However, there has not been rigorous use of monitoring and evaluation tools due to the urgent need to deliver quick impact services and ensure programme delivery. Serious efforts will be made to redress the situation with strengthened systems and practices. These include self-auditing of corporate requirements on project cycle management including M&E and the implementation of a first-ever multi-year outcome evaluation plan starting in 2003.

In the past three years, the UNDP programme is executed either by a UN agency (70%) or by UNDP directly (30%). UNDP will seek to expand the execution modality to include pilot tests of national execution (NEX) through government agencies and non-governmental organizations. This will be implemented based on careful capacity assessment.

6.3 Risks

²³ See UNDP website.

One of the more significant risks in the short-term is internal instability due to adverse economic (e.g. growing unemployment) and social (e.g. breakdown of reconciliation efforts) factors. The Government is committed to addressing these risks through, among others, the Stability Programme and the Open Governance Forums.²⁴ Another is the impact of the impending withdrawal of the UN (UNMISSET including UNPOL and PKF) and the transition to national management of internal and external (border) security. The Government together with the UN and other development partners is developing appropriate transition strategies including technical and financial assistance to facilitate a smooth transition to a sustainable national security system. Some of the UNDP-assisted programmes specifically cater to these aspects.

Another major risk is the already weak economy, which may suffer further from the withdrawal of UNMISSET. As stated earlier, much of the effective demand is stimulated by the UN/foreign enclave economy and most of that swirls within and around the enclave, with only a portion leaking into the Timor-Leste economy. Rejuvenating the economy through improvement of agriculture, rural development and the informal sector, would impact most positively on the bulk of the people. This would generate significant 'effective demand' or put money in the hands of a majority of the people of Timor-Leste, which, in turn, would be spent on domestic goods and services (not on imports), generating a virtuous cycle of economic recovery and growth. The priority programmes in the Road Map including those in the Stability Programme target improvements in agriculture including food security, job creation and other income generation activities through the formal private sector, joint ventures, cooperatives, informal sector, and Government partnerships with communities.

²⁴ The Open Governance Forums are a recent innovation in which the Council of Ministers visit the districts for up to one week in each district; and listen and respond to the concerns of the people in the districts. Three such visits have been completed so far and plans are afoot to cover the remaining ten districts in the course of the next twelve months.

7. Conclusion

This Programme Package is an attempt to provide an overview of the proposed operations of the UNDP in Timor-Leste over the next three to five years. It is intended to be useful not only for the UNDP, but also to the Government of Timor-Leste and other development partners. It may form the basis for negotiations on concrete partnerships between the UNDP and other development partners in assisting the Government in the three priority areas: Poverty Reduction and Community Development, Good Governance and Capacity Development, and Environment and Natural Resources Management.

The Programme Package has been formulated with an awareness of the country's post-conflict situation and has taken into account the needs of Timor-Leste as articulated in the NDP and operationalized in the Road Map. It is intended to assist the country in adapting the Millennium Development Goals and achieving the targets they set for themselves. Annexes 4-28 to the document provide details on the programmes and projects in each of the three programme areas.

Annexes

Annexes 1 to 3 are attached to this main document. Other annexes, at different stages of preparation, can be obtained by contacting the UNDP Office in Dili.

Annex 1	Programme Funding Requirements
Annex 2	Country Programme Outline 2003-2005
Annex 3	List of Donors and Donor Funded Projects (2002-2003)
Annex 4	TIM/03/008/01/34 Coordination, Monitoring and Planning Assistance for National Development Plan Implementation (COMPASS)
Annex 5	TIM/03/009/01/34 Policy support to Ministry of Development and Environment
Annex 6	TIM/01/009/01/34 National Human Development Report 2004: MDGs targets and financing for MDGs in Timor-Leste
Annex 7	TIM/00/006/01/34 Development Advisory Services
Annex 8	TIM/03/010/01/34 Oecussi Community Activation Programme (OCAP)
Annex 9	TIM/03/011/01/34 Economic Empowerment of Women Programme (EEWP)
Annex 10	TIM/03/012/01/34 Community Development and Local Development Fund
Annex 11	TIM/03/004/01/34 Recovery, Employment and Stability Programme for Ex-combatants and Communities in Timor-Leste (RESPECT)
Annex 12	TIM/03/013/01/34 Food and Agricultural Development Programme (FADP)
Annex 13	TIM/03/014/01/34 Vocational Training for Employment Generation
Annex 14	TIM/02/MO5/MT/34 Parliament Support Programme
Annex 15	TIM/03/016/01/34 Assisting the Electoral Process in Timor-Leste
Annex 16	TIM/02/019/01/34 Local Government Options Study and Implementation Support
Annex 17	TIM/03/018/01/34 Civil Society Organization Support Programme
Annex 18	TIM/03/019/01/34 Civic Education Programme
Annex 19	TIM/03/007/01/34 Justice Sector Development Support Programme
Annex 20	TIM/03/021/01/34 Truth, Reception and Reconciliation Commission
Annex 21	TIM/03/026/01/34 Support to Provedor and Inspector General
Annex 22	TIM/03/005/01/34 Capacity Building of PNTL
Annex 23	TIM/01/024/01/34 Capacity Development for Human Resources Management in the Civil Service
Annex 24	TIM/02/002/01/34 Support to Development Posts for the Government of Timor-Leste
Annex 25	TIM/03/022/01/34 Environmental Governance Capacity Development
Annex 26	TIM/03/023/01/34 Sustainable Management of Timor-Leste's Biodiversity and Natural Resources
Annex 27	TIM/03/024/01/34 Rural Energy Development in Timor-Leste
Annex 28	TIM/01/025/01/34 Efficient Utilization of Household Fuel

Annex 1: Programme Funding Requirements (US\$)

Index	Project No.	Project Title	Total Funding Required	Funding Secured	Funding Gap	Remarks
Poverty Reduction & Community Development						
Policy Support for Poverty Reduction						
Annex 4	TIM/03/008/01/34	Coordination, Monitoring & Planning Assistance for National Development Plan Implementation (COMPASS)	1,200,000	500,000	700,000	UNDP
Annex 5	TIM/03/009/01/34	Policy Support to Ministry of Dev. And Environment	1,080,000	250,000	830,000	UNDP
Annex 6	TIM/03/010/01/34	National Human Dev. Report 2004: MDGs in Timor-Leste	350,000	150,000	200,000	UNDP ¹
Annex 7	TIM/00/008/01/34	Development Advisory Services (DAS)	1,000,000	192,000	808,000	New Zealand ²
Sub-total:			3,630,000	1,092,000	2,538,000	
Community Development and Employment Generation						
Annex 8	TIM/03/010/01/34	Decentralised Community Activation Programme (OCAP)	3,000,000	0	3,000,000	
Annex 9	TIM/03/011/01/34	Economic Empowerment of Women Programme (EEWP)	971,000	0	971,000	
Annex 10	TIM/03/012/01/34	Community Development and Local Development Fund	6,500,000	500,000	6,000,000	UNDP
Annex 11	TIM/03/004/01/34	Recovery Employment and Stability Programme for Ex-combatants and Communities in Timor-Leste (RESPECT)	13,187,296	3,907,563	9,279,733	Japan
Annex 12	TIM/03/013/01/34	Food & Agriculture Development Programme (FADP)	3,000,000	0	3,000,000	
Annex 13	TIM/03/014/01/34	Vocational Training for Employment Generation	2,500,000	200,000	2,300,000	UNDP
Sub-total:			20,158,296	4,607,563	15,550,733	
Governance and Capacity Development						
Democracy and Participation						
Annex 14	TIM/02/005/MT/3	Parliament Support Programme	2,200,000	400,000	1,800,000	UNDP 100 Italy 300
Annex 15	TIM/03/015/01/34	Assisting the Electoral Process in Timor-Leste	500,000	0	500,000	

¹ Remaining part of the original \$220,000 contribution.

² Remaining part of the original \$262,000 contribution.

Index	Project No.	Project Title	Total Funding Required	Funding Secured	Funding Gap	Remarks
Annex 16	TIM/02/019/01/34	Local Government Options Study and Implementation Support	1,500,000	397,000	1,103,000	Ireland
Annex 17	TIM/03/018/01/32	Civil Society Organization Support Programme	893,000	650,000	243,000	UNDP/TF 150
Annex 18	TIM/03/019/01/34	Civic Education Programme	2,400,000	100,000	2,300,000	UNV 500
Sub-total:			7,493,000	1,547,000	5,946,000	UNDP
Justice and National Reconciliation						
Annex 19	TIM/03/007/01/34	Justice Sector Development Support Programme	3,120,000	464,000	2,656,000	Belgium 161 ³
Annex 20	TIM/03/021/01/34	Reception, Truth and Reconciliation Commission	440,000	440,000	0	Denmark 265 ⁴
Annex 21	TIM/03/026/01/34	Support to Inspector General and Provocor	500,000	0	500,000	Norway 38 ⁵
Annex 22	TIM/03/005/01/34	Capacity Building of PNITL	1,000,000	90,000	910,000	Sweden 240
Sub-total:			5,060,000	994,000	4,066,000	UNDP/BCP R 200
Public Administration Reform and Capacity Development						
Annex 23	TIM/01/024/01/34	Capacity Development for Human Resources Management from the Civil Service	3,396,000	1,396,000	2,000,000	UNDP 541
						Ireland 678
						Other 177

³ Remaining part of the original 3687,000 contribution

⁴ Remaining part of the original 5795,000 contribution.

⁵ Remaining part of the original 579,000 contribution.

Index	Project No.	Project Title	Total Funding Required	Funding Secured	Funding Gap	Remarks
Annex 24	TIM/02/002/01/34	Support to Development Posts for Government of TL	15,000,000	6,847,000	8,053,000	UNDP 206 Australia 372 Ireland 526 Norway / /D Finland 383 USA 157 Denmark 214 UK 62 Sweden 1,000 Canada 330 EC 2,500 New Zealand 428
Sub-total:			18,396,000	8,343,000	10,053,000	
Environment and Natural Resource Management						
Annex 25	TIM/03/022/01/34	Environmental Governance Capacity Development	800,000	100,000	800,000	UNDP
Annex 26	TIM/03/023/01/34	Sustainable Management of Timor-Leste's Biodiversity and Natural Resources	1,600,000	100,000	1,500,000	UNDP
Annex 27	TIM/03/024/01/34	Rural Energy Development in Timor-Leste	246,000	50,000	196,000	UNDP
Annex 28	TIM/03/025/01/34	Efficient Utilization of Household Fuel	112,000	50,000	62,000	UNDP
Sub-total:			2,858,000	300,000	2,558,000	
Total:			66,595,296	16,883,563	49,711,733	

United Nations

DP/CTO/ETM/1



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Programme and of the
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Country programmes and related matters

Country programme outline for East Timor (2003-2005)*

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* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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I. Situation analysis

1. On 20 May 2002, East Timor emerged as an independent and sovereign nation following more than four centuries of Portuguese colonization and 24 years of Indonesian occupation. On 30 August 1999, 78 per cent of voters rejected greater autonomy within Indonesia and chose a path to independence. The events that followed resulted in the destruction of 70 per cent of essential utilities and private and public buildings. Government institutions ceased to function and over 75 per cent of the population of 800 000 were displaced. Statistics show that East Timor is now the poorest nation in the Asia-Pacific region and among the 20 poorest countries in the world. At present 41 per cent of East Timorese live below the poverty line, set at only \$0.55 per day; life expectancy is only 57 years; illiteracy is around 30 per cent; about 45 per cent of children under five are underweight; and maternal mortality is high, some 420 women die out of every 100 000 live births.

2. The Government is highly committed to developing the country and improving the lives of its people. The national development plan (NDP) outlines strategies for the next five years (2003 to 2007) with sustained economic growth and poverty reduction as the overriding goals. The phasing down of the United Nations presence and the Trust Fund for East Timor (TFET) however, means the outlook for key components of the economy is not very favourable and donor support will be crucial to make smooth the difficult economic transition. In July 2002, the Government presented to the World Bank, international donors and United Nations organizations an action matrix for the implementation of the transitional support programme. The matrix, prepared with assistance from UNDP, covers the first year of operation of the Government and includes a comprehensive list of the technical assistance needed to support the government in meeting its commitments under the programme. UNDP has been requested by the Government, the donor community and the World Bank to support the donor coordination unit of the Ministry of Finance and Planning in coordinating and overseeing the entire technical assistance programme.

3. The first country programme outline (CPO) for 2003-2005 fits squarely within the framework of the NDP and the United Nations Development Assistance Framework (UNDAF), both of which were launched in May 2002. Both the UNDAF and CPO were

formulated through highly consultative processes with Government, key donor partners and United Nations organizations and, over the next three years, efforts will be focused on addressing key development priorities and challenges facing the nation.

II. Past cooperation and lessons learned

4. Of course, the new Government of East Timor recognizes the daunting challenge to improve the lives of its people. Under the guidance of the United Nations Transitional Administration in East Timor (UNTAET), the country has seen gradual improvements in governance, infrastructure and basic public services in the last two to three years - a crucial part of sustaining people's livelihoods. Much of this has been achieved through a uniquely successful partnership between United Nations organizations, including UNDP, the international donor community, World Bank and the Asian Development Bank (ADB). UNDP played a pivotal role in mobilizing and coordinating global support and implementing key elements of the transitional process, including, the holding of both parliamentary and presidential elections, implementing programmes to support the re-establishment of the judicial system; restructuring and developing the civil service; and institutional strengthening the parliament. All of this has helped improve the capacity of civil society organizations to play their part in the political process and nation building. UNDP has also provided information technology structure for the new nation and has supported public broadcasting and civic education as part of the electoral process. UNDP was an important partner with World Bank and ADB in developing the poverty assessment in 2001 and the country's first NDP in 2002. At independence, East Timor launched its own national human development report, reflecting the new nation's strong commitment to core UNDP values.

5. In lieu of a country cooperation framework (CCF), in 2000 the Executive Board approved assistance to East Timor for the period 2001-2002. Its Decision 2000/2 focussed on three major areas: rehabilitation of infrastructure; governance; and promotion of sustainable livelihoods. The past two years have exemplified the strategic role of UNDP in the development processes of a nation. It has identified strategic development issues, mobilized and coordinated financial and technical resources from a multitude of development partners and used its global network of knowledge and expertise to provide quick

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and effective solutions to major problems even in emergency situations. During this period, the country office in East Timor signed cost-sharing and trust fund agreements valued at over \$75 million with key donor Governments, including: Australia, Belgium, Canada, European Commission, Finland, Ireland, Japan, Norway, Portugal and the United Kingdom. The Government and the international community acknowledge UNDP's key role in coordinating assistance and ensuring efficient delivery of emergency interventions and appropriate longer term development support in East Timor. There is a consensus that the strategic approach of the organization has succeeded in supporting the commitment of the Government to build a lean and flexible system of governance, outlined in the governance and public sector management position paper prepared with UNDP support and endorsed at the donors meeting in Australia, 2001. This document has been used by UNDP and international donors as a programme framework for formulating specific interventions.

6. UNDP has played a major role in capacity building in the national development planning process and in a number of key governance areas, including: electoral and legislative processes; civic education; development of an accessible and fair justice system, an independent audit system, efficient customs for better trade and revenue collection, management of civil society organisations and community empowerment. This support has established a relationship of trust between UNDP and the Government and there exists an excellent opportunity to strengthen the organization's relationships with the newly established ministries and their planning units.

7. The partnership between UNDP and the Government of Japan to restore community infrastructure has had significant impact on the revival of economic activities. Rural power stations have been rehabilitated; operational and safety standards have been restored in Dili Port; vital road links have been rebuilt; access to safe water and sanitation have been improved; and irrigation facilities have been repaired. It is estimated that these interventions have had broad-based impact on roughly 35 per cent of the population and have helped establish the foundations for economic recovery. Understandably, in this challenging development environment, project interventions frequently had to be adjusted to reflect the evolving nature of Government structures and priorities. Mechanisms for effective consultation and contact with

Government ministries were established early which has helped resolve complex issues and further strengthen the partnership with Government. It has also demonstrated a need for careful targeting of advocacy strategies, the involvement of Government counterparts and other national stakeholders from the beginning and throughout the various stages of formulation and implementation. The overwhelming United Nations and donor presence in the country has made national project ownership at the policy and community levels a considerable challenge, warranting special attention. This has been done by strong advocacy and networking, through the project steering committees and/or project coordination committees mechanisms in collaboration with project working committees at the operational level. In the case of infrastructure projects, UNDP deployed community mobilization teams to ensure local people became part of the process, which worked well and will be maintained in future activities.

8. Although 95 per cent of the projects to rehabilitate infrastructure were successfully implemented, the environment is more conducive to the establishment of a more participatory approach, emphasizing community self reliance rather than government/donor intervention. This will require much work with the communities to establish a culture of self reliance and the commitment of Government to the process, including the provision of the necessary incentives.

III. Proposed programme

9. UNDP will realign its programme from emergency rehabilitation to institutional and individual capacity-building and upstream policy development in key governance areas aimed at improving the socio-economic conditions of the population. These key objectives will be linked to the Millennium development goals and the programme direction towards achieving a balance between upstream and downstream strategies. Strategic partnerships with key donors, established during the initial period, will be strengthened. The nature of UNDP support under each of the thematic areas will be determined in close consultation with the government and other stakeholders. Specific strategies will be developed for other areas of priorities, such as HIV/AIDS and the empowerment of women. Gender will continue to be mainstreamed into all project components, more so in community based and civil society interventions that could directly contribute to the welfare of women.

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10. The proposed programme areas are:

(a) Governance

Within the priorities and strategies of the NDP, UNDP will support the following areas: (i) enhancing public sector efficiency and accountability; (ii) addressing human and income poverty; (iii) strengthening institutional capacities of key government institutions such as the parliament, the Public Service Commission, the Electoral Commission, the Office of the Inspector General and judicial and human rights systems; and (iv) building national capacity to participate in regional cooperation and the global dialogue on development.

Under this broad framework, UNDP will assist the Government in further defining its role and needs and will provide policy advice and capacity building to reinforce the competencies that have been built over the past two years of the organization's involvement. Given the newly established status of the public sector in East Timor and gaps left with the departure of UNTAET, it is anticipated that the CPO period will be shaped largely by the critical need to support the East Timor Public Administration in its efforts to function effectively while developing the capacity necessary to ensure long-term institutional sustainability. At the request of the Government, UNDP will continue to support the mobilization and management of a programme to provide 200 international development experts to support key government functions and develop the local capacity necessary for long-term sustainability. UNDP has been instrumental in mobilizing and coordinating donor support for the programme, which contractually requires international experts to deliver measurable results on the establishment of national capacity. Concurrent with this, UNDP will also assist the Government of East Timor address its long-term human resource management and development needs for instituting essential policy and regulatory frameworks, its tools for public service sector personnel management and strengthening the capacity of human resource development institutions. These are designed to provide an exit strategy and ensure the phasing out of direct personnel support.

The East Timorese Public Administration will also be supported in its efforts to establish itself as an efficient, accountable and responsive body for achieving broad-based development and poverty reduction. Assistance from UNDP will respond to

the need for participation, transparency and accountability in both public and civil society to facilitate meaningful dialogue and cooperation.

In this context, UNDP will organize a series of workshops with senior government officials to deepen their understanding of the organization's work and to identify specific interventions to be undertaken within the broad thematic areas of the CPO. Recent consultations with the Government on the CPO identified a number of activities designed to bridge the gap between government and civil society. These would focus on community mobilization and capacity building for civil society organizations, formulating specific strategies within the scope of civic education to disseminate key policy documents such as the constitution, the national development plan and the budget, building technical skills in specialized areas, such as gender sensitization, and on awareness and prevention of HIV/AIDS. Assistance would also target human and income poverty in national policy frameworks and in monitoring the implementation of public sector policies and programmes. UNDP will expand its role in building the capacities of civil society organizations for policy analysis and advocacy through community mobilization and civic education strategies.

Having only become a sovereign nation in May 2002, East Timor is yet to find its own niche in regional and global partnerships. Logically, East Timor sees its natural regional structure base within the Asia-Pacific Economic Cooperation (APEC) and the Association of South-east Asian Nations (ASEAN), however, assistance from UNDP will continue to be aimed at providing policy advice and technical assistance, involving the best use of the technical cooperation among developing countries (TCDC) modality, for informed decision making, institutional and technical capacity building for effective management of regional cooperation and enhanced negotiating power.

(b) Community development and rehabilitation

Under this sector, UNDP will: (i) continue its focus on the recovery processes through promotion of a community-led development approach and the restoration of basic services; and (ii) provide policy support to ensure environmentally sustainable development. Lessons for policy feedback will be drawn throughout the process.

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Emphasis will shift to longer term sustainability of development activities for poverty reduction and sustainable livelihoods through greater community participation and empowerment, including income generation targeted at vulnerable groups such as unemployed youth and women. This will be reinforced by implementing cost sharing resources in the continued rehabilitation of essential infrastructure, such as ports, water supply, irrigation systems and programmes. The goal is to provide better access to basic services, income generation, employment and education opportunities. The first country programme will help define mechanisms to promote long-term technical and financial sustainability based on enhanced local capacity and resources.

11. Particular attention will be paid to the development of programmes in gender and HIV/AIDS. In gender, a programme for economic empowerment of women has been developed and implementation will start in early 2003, with some of its specific components incorporated into the ongoing project "Strengthening Parliamentary Democracy in East Timor". Training on gender sensitive budgeting is also part of this initiative. Another project on civic education makes special considerations to ensure women's groups benefit from the services provided by the project. Gender will be mainstreamed in all new projects under the CPO.

Despite the lack of reliable data at present, the Government of East Timor has taken a very proactive approach to HIV/AIDS, especially on awareness and prevention. With technical assistance support provided by UNDP, the Government has already produced and approved a national strategic plan on HIV/AIDS including an overall HIV/AIDS/STI advocacy and awareness campaign, with a view to mainstreaming HIV/AIDS through a multi-sectoral approach at all levels. UNDP is also providing capacity building in this area for government officials and CSO counterparts, in collaboration with the Ministry of Health and will continue to support Government efforts, particularly in the preparation of a national strategic work plan and resource mobilization strategy in collaboration with the United Nations Theme Group (UNFPA, UNDP, United Nations Children's Fund and the World Health Organization) and other partners.

12. Capacities to formulate appropriate policies in support of the above interventions as well as to develop legislative and regulatory frameworks for vulnerability reduction and environmental sustainability, will be further strengthened within relevant government ministries. Support to promote the exploration and use of sustainable energy as well as to

assist the Government to meet the commitments under international agreements and conventions in the environmental sector will be provided.

13. Interventions by UNDP will also complement ongoing, planned and completed initiatives of a number of donors, such as the World Bank, ADB and United Nations organizations that have targeted community rehabilitation and development in rural and urban areas. Close consultation with governmental counterparts and other stakeholders will be ensured to prioritize local needs and assess available resources.

IV. Programme management, monitoring and evaluation

14. Due to the unique circumstances of the country, projects have been implemented through a combination of direct execution and agency execution arrangements. Approximately 30 per cent of the projects have been implemented under the direct execution modality, while the other 70 per cent by specialized United Nations organizations, including, the United Nations Office for Project Services (UNOPS), the Economic and Social Commission for Asia and the Pacific (ESCAP), United Nations Conference on Trade and Development (UNCTAD), International Labour Organization (ILO) and the Food and Agriculture Organization (FAO). The country office has developed the institutional capacity to continue to implement direct execution for the time being, with partial agency-supported implementation. Agency capacity is limited with the exception of UNOPS, which has a significant presence mainly to handle a large management service agreements portfolio of infrastructure rehabilitation projects. These combined execution arrangements have contributed to the timely implementation of project activities, especially considering the complex circumstances under which projects are implemented. The principles and modalities for implementing and monitoring project activities centered on the corporate strategic results based management framework will be applied across the board.

15. Given the extensive capacity building needs of the Government anticipated over the CPO period, capacity for national execution must be developed and, over the next three years, UNDP will assist in building capacity at both central and local levels to support the transition to national execution. In this period, in-house capacity would also be strengthened to support the shift to national execution and would be carried out under the framework of the learning mechanisms established for the East Timor country office.

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To date, the institutional human resource capacity in the country office has been sustained from target for resource assignment from the core (IRAC) funding under PLSP and DFXB budgets and this will continue for the foreseeable future. As recommended by the country office reprofiling team, the PLSP project would be extended to facilitate the retention of critical human resource capacity within the office.

16. At the operational level, UNDP will continue to use the project steering committee and project coordinating committee mechanisms for each project to ensure national and local ownership of project activities. These committees include representatives from the Government, donors, community representatives, and United Nations agency partners and will continue to oversee and manage the decision-making processes on project activities in accordance with UNDP policies and procedures. United Nations Volunteers staff will also continue to complement ongoing training and human resource needs.

17. Partnerships with other United Nations organizations will be strengthened and consolidated through the newly instituted UNDAP process and through identification of joint programming areas. Specific areas where United Nations organizations will work together include, HIV/AIDS, gender, human rights, NGO capacity building at the local level and technical cooperation among developing countries.

18. A key aspect of UNDP operations has been the significant co-financing from a wide range of donors. Advocacy and partnerships with key donors will be further strengthened and expanded through continued involvement in project steering committees and in monthly donor meetings organized by UNDP. Mechanisms have also been implemented to address specific donor reporting and accountability requirements, which would be further articulated within the framework of a comprehensive resource mobilization strategy for the activities envisaged under the CPO. On a broader level, donor consultations will also be strengthened through the oversight and monitoring mechanisms to be set up by UNDP to coordinate and implement the wide range of technical assistance needs under the NDP in collaboration with the Ministry of Finance and the World Bank.

19. UNDP shares common premises with all the other United Nations organizations in East Timor, except UNHCR. The United Nations House was inaugurated by the Secretary-General on the occasion of independence, 20 May 2002.

UNDP FURTHER

Annex. Results and resources framework for East Timor (2003-2005)

UNDP Objectives: to assist the Government in achieving the programme goals of poverty reduction and sustainable development through targeted interventions by UNDP National representatives in the areas of economic, social, and human development, health, gender equity and the environment and natural resources for sustainable development in the Government and civil society organizations, and infrastructure development			Indicators of outcome		Outputs		Resources	
Strategic areas of support			Indicators of outcome		Outputs		Resources	
Efficiency and accountability in the public sector			Improved efficiency, accountability and transparency in the civil service through enhanced ownership and leadership		Government		Regular	
Administrative and access to justice	Fair and efficient administration of justice	1. Number of civil and criminal cases pending before the courts for more than a year 2. Legal information system introduced or strengthened so that how poor can access justice	1. Civil service reform studies (legal, policy, and organizational) for civil service 2. Existence of an independent anti-corruption commission 3. Existence of institutional mechanisms for regular consultation between national Government, CSOs and private sector on national development plans and the budget		(1) Assessment of government regulatory framework and its impact on business, investment, accountability and efficiency of civil service. HRM skills of government and public agencies enhanced through training, planning and improved support systems management, planning and delivery capacity of the Civil Service Agency strengthened. (2) Capacity of the national government's office enhanced to plan, design and deliver civil service programs and human rights and governance (3) Awareness of NGOs Government relations system raised with information sharing opportunities created Regular consultation mechanisms on economic and social policies and programs institutionalized		Regular TRAC 1 - 500 Other: Third party cost-sharing - 400 Trust funds 600	
			1. Mechanisms for accountability in place to ensure legislative oversight 2. An unexamined record of parliamentary debates and proposals for accessibility to the public (use of ICT tools)		(4) Capacity of MPs to undertake legislative and budget analysis strengthened through TA and training (including assistance on pre-budgetary and budgetary analysis and development) Women MPs' caucus established with capacity for advocacy and segmented budget analysis/monitoring. Parliament secretariat staff is trained in legislative drafting, developing and operationalizing process units to provide efficient and effective support to the MPs (5) Verbatim report produced for internal and public use and mechanisms established to maximize regular communication with civil society and the mass media		Regular TRAC 1 - 200 Other: Trust funds 600	

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Flourish legislation and assist legal equality of electoral commissions, systems and processes	Improved confidence of the legal, constitutional and electoral framework with international standards	Independent national management body with capacity to conduct elections for elections with high levels of citizen participation	<p>(1) Legal and regulatory framework developed, institutional and technical equality of access achieved, basic constitutional through policy advice, TA and staff training, national capacity enhanced to undertake voter education and election monitoring</p> <p>Regular TRAC - 948 Other Third party cost-sharing - 2004</p>
Development and implementation of income and poverty reduction policies and strategies	Policy and planning framework of the country, incorporating a comprehensive approach to and specific targets for resolution of human and income poverty	<p>1. Adoption of national targets for reduction of human and income poverty, disaggregated by gender.</p> <p>2. National estimates of human and income poverty regularly updated and disaggregated by gender and region, measuring progress towards the MDGs.</p> <p>3. Governmental mechanisms for planning and monitoring anti-poverty strategies to reduce poverty.</p>	<p>(1) NEHR strategy to support preparation for NEHR, with national ownership of process and national development policy concepts introduced. Legislation consolidated in human rights, access, education, gender equality, HIV/AIDS issues.</p> <p>(2) National statistics systematically strengthened to collect and analyse poverty data. Cross-sectoral programme developed and implemented to address poverty Assessment findings and participatory poverty Assessment exercises and outcomes of national and sub-national levels. Poverty information campaign on MDGs implemented.</p> <p>(3) Policy and capacity development frameworks in place for strengthening analysis, skills and advisory strategies for Government, NGOs and CSOs.</p> <p>Regular TRAC 1 - 152 Support for policy and programme development - 255 Other Third-party cost-sharing - 408</p>
Regional and sub-regional co-operation, including ECDC, TADC	Enhance capacities of Government and Government institutions to promote regional cooperation in priority and strategic development areas	<p>1. Regional cooperation and technical assistance agreements signed in key development areas.</p> <p>2. Specific technical and human resources transferred to the country through TADC.</p>	<p>(1) Preparations for ECDC cooperation in ASEAN and membership in global trade organizations (AFTA, APEC, ACP, WTO, WCO) supported through policy research, capacity building to promote national interests at international level. Knowledge of international law and legal instruments of tradeable instruments in East Timor enhanced with governmental including parliament, through policy advice, TA, and training. TADC management systems and approaches with at least 3 regional countries in place.</p> <p>(2) Approx. 5 TADC activities to facilitate knowledge transfer to public administration with focus on public policy formulation, development planning, public sector institutional building and HIV/AIDS prevention</p> <p>Regular - 304 Other - 499 Subtotal - 10,336</p>

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11. Community development and rehabilitation			
Recovery processes at the community level	Increased sustainable livelihood opportunities in communities	Local capacity for ownership and sustainability of development activities enhanced. 2. Increased access to basic services that led to more sustainable livelihood.	<p>(1) Approximately 35,000 with upgraded skills and knowledge in sustainable farming techniques and increased productivity.</p> <p>(2) Empowered women and vulnerable groups through income generation activities.</p> <p>(3) Water supply and irrigation systems, built, adapted for facility and public building, rehabilitation</p> <p>(4) Development of National Environment Action Plan and policies through TA.</p> <p>(5) Assessment of ET's rural energy needs</p> <p>(6) Enhanced capacity of Government assisted in establishing family and meeting international commitments on education and sustainable development</p> <p>(7) Functioning Waste Management Unit in the Community</p>
National policy, legal and regulatory framework for environmentally sustainable development	Comprehensive approach to environmentally sustainable development integrated in national development planning	A National Strategy for Sustainable Development with national implementation targets adopted	<p>Regular TRAC 1 436</p> <p>Other: Municipal services agencies - 21,162</p> <p>Third-party co-funding 3,763</p>
			<p>Regular TRAC 1 996</p> <p>Other: Global Environment Facility 250</p>
			<p>Regular 1,434</p> <p>Other 25,173</p> <p>Subtotal - 36,632</p>
			<p>Regular - 5,883</p> <p>Other - 31,467</p> <p>Total - 36,955</p>
			GRAND TOTAL

Annex 3: List of Donor-funded Projects (2000-2003)*

4 May 06

Donors	Year				Total
	2000	2001	2002	2003	
Japan	77,480,000.00	1,791,000.00	73,045,800.00	3,997,560.00	56,314,360.00
European Commission	-	657,904.00	2,080,000.00	2,458,000.00	5,395,904.00
Portugal	2,000,000.00	982,000.00	950,000.00	-	4,932,000.00
Sweden	-	52,784.00	-	4,300,300.00	4,353,084.00
Norway	1,035,000.00	702,150.00	744,783.09	-	2,481,933.09
Ireland	-	266,800.00	1,534,520.00	400,000.00	2,201,320.00
Australia	295,000.00	226,202.00	1,588,478.00	-	2,109,680.00
Indonesia	-	-	2,000,000.00	-	2,000,000.00
Finland	-	1,750,000.00	410,278.72	-	2,160,278.72
United Kingdom	-	704,276.00	35,000.00	96,450.00	835,726.00
Canada	55,480.00	440,700.00	8,000.00	326,790.00	829,970.00
Belgium	687,000.00	-	-	-	687,000.00
New Zealand	235,000.00	786,120.00	-	213,780.00	1,234,900.00
Denmark	-	-	478,760.00	-	478,760.00
World bank	443,000.00	-	-	500,000.00	943,000.00
Italy	-	-	-	-	-
Luxembourg	-	250,000.00	-	-	250,000.00
Netherlands	-	213,237.00	-	-	213,237.00
United State (USA,7)	-	-	150,528.00	-	150,528.00
France	-	138,897.00	-	-	138,897.00
Republic of Korea	-	75,000.00	-	-	75,000.00
International NGO (British Polynomy)	-	-	20,320.00	-	20,320.00
Asian Development Bank	-	-	11,220.00	-	11,220.00
Grand Total	33,136,480.00	7,344,809.96	33,636,781.81	11,992,660.00	85,121,554.79

* The figures in the table may not reflect the latest available statistics at the time of press.

Donors	Year	Project No.	Project Title	Amount (US\$)
Australia				
	2001	TMO0004	Emergency road repair	25,000.00
	2001	TMO0010	Electoral Assistance	220,000.00
	2002	TMO0001	Special Fund	1,130,500.00
	2002	TMO0002	200 Polls	452,200.00
	2002	TMO0000	Electoral Assistance	8,893.00
Total				2,112,600.00

Asian Development Bank				
	2002	TMO0005	Support to NDPA	11,200.00
Total				11,200.00

Belgium				
	2000	TMO0006	Judiciary Project	687,000.00
Total				687,000.00

Canada				
	2000	INT0006	NGO Capacity Building	20,000.00
	2000	INT0002	Finance and Capacity Building	34,500.00
	2001	TMO0009	OSD Capacity Building	19,400.00
	2001	TMO0003	NGO Capacity Building	229,699.00
	2001	TMO0004	NDPA	98,758.00
	2001	TMO0000	Electoral Assistance	91,500.00
	2002	TMO0000	Electoral Assistance	8,998.00
	2003	TMO0002	200 Polls	506,700.00
Total				829,655.00

Denmark				
	2002	TMO0008	Judiciary Support	264,500.00
	2002	TMO0000	200 Polls	214,250.00
Total				478,750.00

European Commission				
	2001	TMO0000	Electoral Assistance	250,000.00
	2002	TMO0003	Presidential Elections	160,000.00
	2002	TMO0001	Special Fund for former Indonesian Government Employees	1,500,000.00
	2002	TMO0002	200 Polls	2,455,000.00
Total				3,365,000.00

Finland				
	2001	TMO0010	Electoral Assistance	150,000.00
	2001	TMO0024	HRM in the Civil Service	1,200,000.00
	2002	TMO0002	200 Polls	410,378.72
Total				1,580,378.72

France				
	2001	TMO0010	Electoral Assistance	136,297.00
Total				136,297.00

Ireland				
	2002	TMO0002	Agriculture Productivity	745,000.00
	2001	TMO0010	Electoral Assistance	265,000.00
	2002	TMO0002	200 Polls	777,700.00
	2002	TMO0002	Civil Society Organization	10,000.00
	2003	TMO0018	ECVP	400,000.00
Total				2,201,300.00

Italy				
	2000	TMO0005	Partnership Project	900,000.00
Total				900,000.00

Donors	Year	Project No.	Project Title	Amount US\$
International NGO (British Petroleum)				
	2002	TW0005	Support to NDPA	20,000.00
Total				20,000.00

Indonesia				
	2002	TF02401	Special Fund for former Indonesian Government Employees	2,000,000.00
Total				2,000,000.00

Japan			
2000	TM00R53	DL Water Supply Rehab. and Imp. Proj.	11,200,000.00
2000	TM00R54	Urgent Relief of the Diu-Aiem-Gases Road	4,700,000.00
2000	TM00R55	Urgent Irrigation Rehabilitation Proj.	2,737,415.00
2000	TM00R58	Urg. Rehab. of Small Power Syst. Rural Areas	1,812,700.00
2000	TM00R57	Maintaining The Output Capacity of Common Power Station	4,200,585.00
		Urgent Relief: Project restoration of Navigation AIDS and Radar System at the Port of DL	2,850,000.00
2000	TM00R58	Disaster Assistance	1,191,000.00
2000	TM00R59	Urgent Rehabilitation of Diu Port Area Container Stacking Yard	2,889,000.00
		Urgent Rehabilitation and Improvement of the Distribution Network for the Diu Water Supply	2,081,000.00
		Urgent Relief and Improvement in Water Supplies in Liquide, Lido Palas and Veneiro	2,415,000.00
2000	TM00R54	Urgent Rehabilitation Project of Lido Irrigation System	8,129,000.00
2002	TM01R55	Urgent Rehabilitation of Faculty of Engineering, East Timor National University	4,670,000.00
2002	TM01R56	AMCA	5,081,350.00
2003	TM03R54	Recovery, Employment and Stability Programme for ex-Combatants and Communities in Timor-Leste	9,500,000.00
2004	TM04R55	Emergency Relief of Diu	2,000,000.00
Total			56,114,245.00

Luxembourg				
	2001	TM01R10	Electoral Assistance	250,000.00
Total				250,000.00

Norway			
2000	TM00R01	Road repairs	500,000.00
2000	TM00R02	Agricultural Production	500,000.00
2000	TM00R03	Enhance UNDP Capacity Building	35,000.00
2001	TM00R02	Agricultural Production	90,000.00
2001	TM01R01	Electoral Assistance	642,108.00
2002	TM02R08	Judiciary Support	78,536.12
2002	TM01R02	Melana Guesthouse Project	125,487.00
2002	TM02R02	200 Posts	310,275.55
2002	TM00R09	Leadership	135,064.42
2002	TM01R03	Foreign Relations	90,000.00
Total			2,481,853.07

Netherlands				
	2001	TM01R10	Electoral Assistance	213,207.51
Total				213,207.51

New Zealand				
	2000	TIM00R03	Development of Advisory Services	250,000.00
	2001	TIM01R10	Electoral Assistance	104,000.00
	2001	TIM00R03	Development of Advisory Services	84,120.00
	2003	TIM03R02	200 Posts	213,000.00
Total				636,000.00

Donors	Year	Project No.	Project Title	Amount US\$
Portugal				
	2000	TMD0031	Water and Sanitation Rehabilitation Prog.	1,500,000.00
	2000	TMD0052	Emergency Relief Prog.	1,000,000.00
	2000	TMD0007	Partnership	400,000.00
	2001	TMD1051	Water and Sanitation Rehabilitation Programme (second phase)	880,000.00
	2002	TMD1010	Electoral Assistance	40,000.00
	2002	TMD2001	Special Fund	800,000.00
	2002	TMD0007	Partnership	10,000.00
Total				4,737,500.00
Republic of Korea				
	2001	TMD0010	Electoral Assistance	75,000.00
Total				75,000.00
Sweden				
	2001	TMD1010	Electoral Assistance	40,754.00
	2003		200 Posts	3,200,000.00
	2003	TMD2002	200 Posts	1,000,000.00
Total				4,240,754.00
United Kingdom				
	2001	TMD0010	Electoral Assistance	704,225.00
	2002	TMD0005	Judiciary Support	10,000.00
	2002	TMD1010	Electoral Assistance	10,000.00
	2002	TMD1010	Electoral Assistance	14,000.00
	2003	TMD0006	Leadership	62,400.00
	2003	TMD0002	200 Posts	835,876.00
Total				1,606,501.00
United States (USAID)				
	2002	TMD2002	200 Posts	56,892.00
	2002	TMD2002	200 Posts	56,892.00
Total				113,784.00
The World Bank				
	2005	TMD0003	Employment Project	245,000.00
Total				245,000.00
Grand Total				86,121,554.79



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