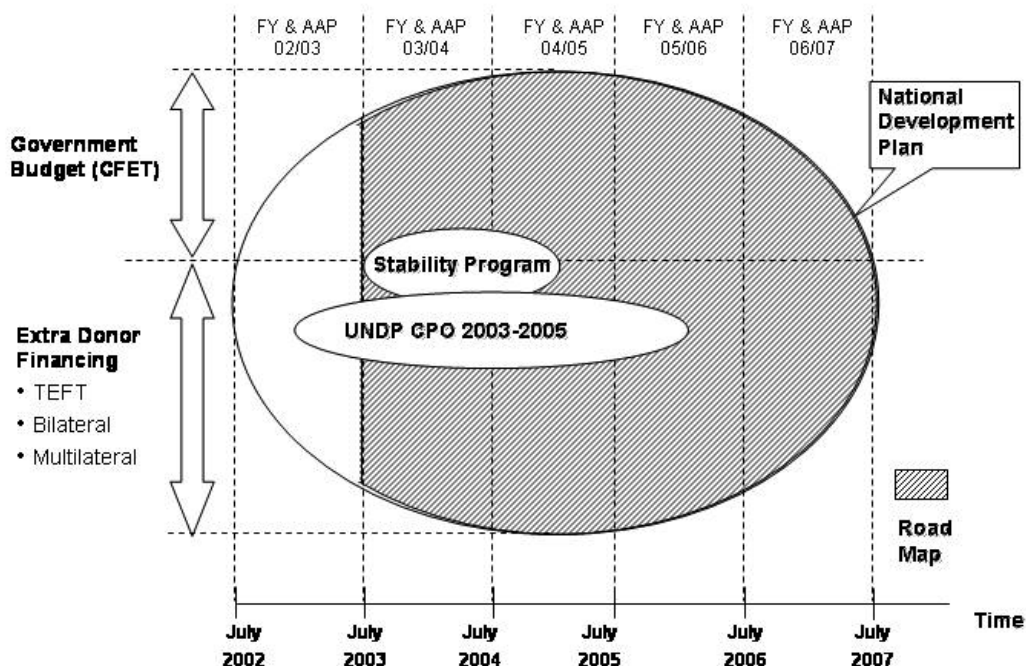


4. UNDP's New Programme Areas

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.