

ANNUAL PROGRESS REPORT 2021



**UNDP
TIMOR-LESTE**

**STRENGTHENING INTEGRAL LOCAL DEVELOPMENT BY
BUILDING THE CAPACITIES OF THE MUNICIPAL AUTHORITIES IN
TIMOR-LESTE (MSA)**



Project Identification	Geographic Coverage of the Project
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- Project Title:** *Strengthening Integral Local Development by Building the Capacities of the Municipal Authorities in Timor-Leste (MSA)*
 - Project ID:** 00125345
- National Level Coverage (Yes/No):** Yes
Number of Municipalities Covered: 12

Strategic Results	Responsible partner(s)
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By 2025, the most excluded people of Timor-Leste are empowered to claim their rights, including freedom from violence, through accessible, accountable and gender-responsive governance systems, institutions, and services at national and subnational levels.

Through Strengthening accountable, inclusive, and participatory governance and quality public services.

- Ministry of State Administration
- Municipal Authorities and Municipal Administrations

Total Project Budget	Project Duration
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Total Budget: USD 1,167,000

Government: USD 1,167,000

Start Date: 01 January 2021

End Date: 31 December 2022

Implementation Modality:

Annual budget: USD 449,019.67

Annual expenditure, including commitment: USD 408,884

Budget utilization: 91%

Direct Implementation

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Acronyms

CSO	Civil Society Organization
DIM	Direct Implementation Modality
EOI	Expression of Interest
E-GA	E-Governance Academy Foundation
GoTL	Government of Timor-Leste
LOA	Letter of Agreement
M&E	Monitoring and Evaluation
MSA	Ministry of State Administration
NGO	Non-Governmental Organization
NPSA	National Professional Service Agreement
OSS	One-Stop-Shop
PFM	Public Finance Management
ProDoc	Project Document
PWDs	People with Disabilities
PMU	Project Management Unit
SDGs	Sustainable Development Goals
SoE	State of Emergency
SOPs	Standard Operating Procedures
SEIA	Socio-Economic Impact Assessment
SERVE	Serviço de Registo e Verificação Empresarial
SPDD-LT	Supporting Programme to Deconcentration and Decentralization Process in Timor-Leste
TACU	Technical Assistance Coordination Unit
UN	United Nations
UNDP	United Nations Development Programme
WHO	World Health Organization

Executive Summary

Designed to complement (and support) other ongoing decentralization/local government projects and programmes, this project intends to support the Ministry of State Administration (MSA) by providing technical assistance. The Project contributes to Timor-Leste's sustainable development through two outputs:

1. Ministries and Municipal Administrations have enhanced capacities to strengthen the legal, policy, and institutional framework for decentralization.
2. Feasibility study for piloting One-Stop-Shop (OSS) in one selected Municipality completed.

This report presents a review of the Project's progress by output in the implementation period during the year 2021. The Key highlights of progress are outlined as follows:

With respect to **component 1**, a comprehensive mapping/roadmap of Timor-Leste's Legal Framework for Decentralization has been completed and updated. It serves as a complete guide to laws and regulations relevant to central and local bodies and services in the implementation of administrative decentralization.

The President of the Republic of Timor-Leste promulgated two critical decentralization laws, namely the Law on Local Power and Administrative Decentralization and the Law on Municipal Election, the two laws were published in the journal republica on 27 October 2021 and 4th November, respectively. http://www.mj.gov.tl/jornal/public/docs/2021/serie_1/SERIE_I_NO_44.pdf, http://www.mj.gov.tl/jornal/public/docs/2021/serie_1/SERIE_I_NO_45.pdf

The Project conducted an assessment to support the implementation of administrative decentralization in Timor-Leste which includes three components, namely a. legal framework: b human resources allocation and capacity development of the Local State Administration; and c. coordination by the implementing actors. The assessment recommended the revision of Ministerial Diplomas No.25 to 35 on Municipal Authorities and Municipal Administration's staffing profile to meet criteria as required according to the Decree Law No.3/2016 as well as Decree Law No.25/2016 on the Regime of the directors and chiefs of Public Administration.

300 MSA civil servants, Municipal Administrators, and Presidents (293 men, 07 women) have received technical assistance in the areas of public finance management (planning, budgeting, budget execution or implementation, procurement), as well as drafting, interpreting, and implementing new/amended legal, policy, and institutional frameworks for decentralization

The Project facilitated the development of three SOPs, through technical assistance: 1. Induction and orientation, 2. selection criteria for Municipal Services Directors and Department Chiefs by the Presidents and Administrators, and 3. rules for the recruitment process and panel Members.

In terms of **component 2**, the Project facilitated an e-conference in June 2021 to capture best practices of One-Stop-Shop and to inform policymakers about the various approaches to OSS. Representatives from various countries, including Brazil, Kazakhstan, Vietnam, and Estonia, among others, attended this virtual lesson learning meeting.

The Project completed the procurement of services to conduct the OSS feasibility study. E-Governance Academy Foundation (EGA) from Estonia was selected through a competitive process.

1. Background and Context

Timor-Leste is the youngest country in Asia and the Pacific region, which gained independence in 2002 after 24 years of foreign occupation. Over the last 20 years, Timor-Leste has made substantial progress in the areas of economic development, peace and security, and service delivery. On the other hand, substantial challenges remain in terms of its ability to deliver local services and ensure inclusive participation of people, particularly marginalized sections of the population. These challenges include a weak legal framework for decentralization, limited level of decentralization, lack of capacity (incl. from a demand-side), limited integrated planning/budgeting systems, and downward accountability and public participation mechanisms (incl. for women and youth).

The country experienced Tropical Cyclone Seroja followed by heavy rains from 29th-4th April 2021. This resulted into heavy flooding and landslides affecting houses, buildings and public infrastructure like roads, bridges. According to the UN Household and Building Damage Assessment of Floods in Timor-Leste¹, the floods affected 30,367 households across all 13 municipalities with over 81% of the affected population in Dili Municipality. This catastrophe occurred as the country faced an increase in COVID-19 cases. In addition to the adverse effects of the pandemic, the flooding had severe impacts on the social economic conditions of the population

The country saw its first case of COVID-19 on March 21, 2020, prompting the creation of a state of emergency (SOE) for the rest of the year, however, the pandemic hit the country harder in 2021. According to the World Health Organization (WHO) Coronavirus Disease 2019 (COVID-19) Situation Report – 125 Timor-Leste, the total number of afflicted individuals reached 19,804 by the end of 2021, with more than 122 deaths, whereas by the end of 2020, there were just 44 confirmed cases of infection and zero deaths. The SOE continued till November 30, 2021, leading to the closure of Timor-Leste's borders, including the discontinuation of commercial flights, restrictions in inter-municipality travel, and limited in-person interaction. As of December 20, 2021, a total of 1,195,990 vaccination doses had been administered in the country.

According to a UN Socio-Economic Impact Assessment of COVID-19 (SEIA) the country's underlying issues have been exacerbated. They include a widening gap in development between rural and urban settings; the effects of climate hazards; and limited access to education, health services, social protection programs, and markets. The study found that the poorest households most acutely felt the pandemic's negative effects, those living outside of Dili, and those with high levels of social vulnerability. But at the same time, well-off households also suffered losses and obstacles, including in the form of food insecurity. COVID-19's economic and social repercussions on the most marginalized were exacerbated by existing inequities and vulnerabilities, which prevented them from receiving much-needed assistance from the government or other networks. However, the study also finds resilience among communities, the significant role of the national government in social support, and the continued efforts of various government and civil society organizations (CSOs) to reduce these negative impacts².

¹ Coronavirus Disease 2019 (COVID-19) Situation Report – 125 Timor-Leste

² Household and Building Damage Assessment of Floods in Timor-Leste, 3 Socio-Economic Impact Assessment of COVID-19 in Timor-Leste, round 2, 2021 United Nations Timor-Leste and General Directorate of Statistics, Ministry of Finance, Timor-Leste,

2. Project Summary and Objectives

The Project is designed to complement (and support) other ongoing decentralization/local government projects and programmes. The Project aims to contribute to Timor-Leste's sustainable development through two outputs/components. The first component relates to improving the capacity of the Ministry of State Administration (MSA) and Municipal Administrations to strengthen the legal, policy, and institutional framework for decentralization. To that end, the Project seeks to assist the MSA in its efforts to harmonize Timor-Leste's legal policy, and institutional framework for deconcentration and decentralization, amend existing laws and identify gaps as well as legislative and regulatory instruments. The second component of the Project focuses on conducting a feasibility study for piloting One-Stop-Shop (OSS) for selected public services at the municipal level to provide residents, including those living in remote areas, with effective and efficient public services.

The Project period is 24 months starting from January 2021 to December 2022. The total budget of the Project is USD 1,167,000 which is funded by the Government of Timor-Leste. The total annual budget of the period under review (January 01, 2021, to December 31, 2021) is USD 449,019.67 while the total expenditure during the same period was: USD 408,888.4. It is being implemented under the Direct Implementation modality (DIM) of UNDP. The government partners of the Project include the MSA, and municipal authorities/administrations.

3. Progress on Project Outputs

Output 1: Ministries and Municipal Administrations have enhanced capacities to strengthen the legal, policy, and institutional framework for decentralization

<i>Table 1: Updated information based on the results framework matrix — Output 1</i>					
Output Indicators	Baseline Year: 2020	Final Target Year: 2022	2021 Target	2021 Actual Data	Remarks
1.1: Comprehensive mapping/roadmap of Timor-Leste's Legal Framework for Decentralization is completed and updated.	0	1	1	1	
1.2: # of law proposals on deconcentration and decentralization drafted and approved.	0	5	3	2	2 laws have been promulgated

1.3: # of regulations and SOPs supporting the new/amended laws to accelerate decentralization process and address gender and youth issues	0	TBC	2	2	
1.4: # Of MSA staff and civil servants/elected local representatives of the Municipal Administrations received the technical support from the 'TACU'	0	0	300	300 Civil servants including 20 directors from MSA	
1.5: # Of laws, policy, regulations, SOPs received the technical support from the 'TACU'	0	TBC	3 SOPs 7 ToRs	3 SOPs 7 ToRs	

A comprehensive mapping/roadmap of Timor-Leste's Legal Framework for Decentralization has been completed. This serves as a guide to laws and regulations most relevant to the central, and local organs and services of the state in the implementation of deconcentration and administrative decentralization. Decrees, government regulations, ministerial diplomas, and dispatches were set to highlight how the administrative process will occur in the various areas i.e., education, health, agriculture. The joint ministerial Diploma No. 4 regulates competencies of the municipalities in education and guides how school subsidies particularly for pre-scholars shall be managed. The joint ministerial Diploma No. 6/2018 highlights the organogram of the health sector in the municipalities.

The President of the Republic of Timor-Leste has promulgated two critical decentralization laws, namely the Law on Local Power and Administrative Decentralization and the Law on Municipal Election. The two laws were published in the journal republica on 27 October and 4th November 2021 respectively. http://www.mj.gov.tl/jornal/public/docs/2021/serie_1/SERIE_I_NO_44.pdf, http://www.mj.gov.tl/jornal/public/docs/2021/serie_1/SERIE_I_NO_45.pdf. Local Power and Administrative Decentralization Law defines municipalities as public legal persons under the law, and they have administrative, financial, patrimonial, and organizational autonomy. The law sets up the organization, composition, and competencies of municipalities, as well as the legal framework for the State's administrative decentralization. Municipal Election Law establishes the procedures for electing the President, Vice-President, and members of the Municipal Assembly. It also specifies who is eligible to vote, who can run for municipal office and the method of election that ensures women's

participation. The Project provided two international legal advisors to support the Ministry in drafting the laws and tabling them in the National Parliament.

Two relevant regulations and three Standard Operating Procedures (SOPs) have been developed to accelerate the decentralization process and address gender and youth issues, and these include the following:

- i. Dispatches of special selection procedures of administrator of municipalities were made public in the Journal Republic.
- ii. Inter-organic Administrative Diploma on Youth and Sports between the MSA and the Secretary of State of Youth and Sport (joint ministerial diploma) officially agreed to transfer competencies to the municipalities. Decree-law #3 2016 did not delegate all competencies to the municipalities but decree-law #3 stipulated that some competencies be delegated to the municipalities.

The Project conducted an assessment to support the implementation of administrative decentralization in Timor-Leste which includes three components, namely: a. legal framework: b human resources allocation and capacity development of the Local State Administration; and c. coordination by the implementing actors. The findings revealed that territorial administrative deconcentration has been a crucial factor in bolstering decentralization and should be addressed by the Ministry of State Administration and implementing actors should be proactive by aiding Municipal Authorities and Municipal Administration. The goal of the assessment was to propose to the MSA a set of strategies to address the emerging issues to strengthen the capacities of municipal authorities of Timor-Leste as well as to use as a reference to gradually transition from Direct State Administration to Indirect State Administration.

300 civil servants and Municipal Administrators and Presidents (293 Men, 07 Women) have received technical assistance in terms of training (workshops, zoom meetings) and mentoring in public finance management (planning, budgeting, budget execution or implementation, Procurement) as well as drafting, interpreting, and implementing new/amended legal, policy, and institutional frameworks for decentralization, due to the assistance the budget review committee appreciated MSA for developing the best plan for the year 2022.

The Project facilitated the development of three SOPs, through technical assistance: 1. induction and orientation 2. selection criteria for Municipal Services Directors and department chiefs by the presidents and administrators, 3. rules for the recruitment process and panel members.

The Project also developed 7 Terms of Reference (ToRs) and a concept note for the recruitment of Public Financial Management Officers (9 persons per municipal) and ToRs for engineer positions (9 persons per municipality). The specialist assigned from the Project also supported the Ministry in identifying human resources for Atauro Municipal, due to be established in January 2022, and in conducting a functional analysis of Administration Posts.

Output 2: Feasibility study for piloting One-Stop-Shop (OSS) in one selected Municipality completed.

<i>Table 2: Updated information based on the results framework matrix — Output 2</i>					
Output Indicators	Baseline Year: 2020	Final Target Year: 2022	2021 Target	2021 Actual Data	Remarks
2.1: Feasibility study on OSS conducted including model and interoperability of various central government services within a one-stop-shop based on a study on model, legal and institutional framework.	0	1	1	0	
2.2: # of regulations and SOPs developed for the initial set of OSS services based on the feasibility study and the inter-ministerial agreement.	0	TBC	0	0	

The feasibility study per se, as stipulated in the results framework, could not be conducted during the period under review due to the delay in onboarding a company to perform the function. However, as a prelude to the feasibility study, a policy note was prepared based on an international e-conference on practices of OSS and the lesson that could be learned by Timor-Leste. The policy note gives an assessment of the need for OSS model of service delivery in Timor-Leste, and how the OSS fits into the wider decentralization process, examines the domestic example of Serviço de Registo e Verificação Empresarial (SERVE) for bringing multiple services under one roof, summarizes the key and common findings from other countries experiences. It also shows how this relates to Timor-Leste's specific context then concludes with opportunities for the country and finally next steps.

The Project facilitated an e-conference on OSS, involving several countries, namely Bangladesh, Brazil, Estonia, Georgia, Kazakhstan, Malaysia, and Vietnam. The conference was jointly organized by the Ministry of State Administration (MSA), UNDP (Bangkok Regional Hub and Timor-Leste country office), and Astana Civil Service Hub and was attended by several government bodies and stakeholders in Timor-Leste including the Prime Minister's Office. The purpose of the event was to expose Timor-Leste officials to different approaches to OSS and learn from other countries' experiences, to assist decision-making surrounding the next steps for developing a pilot OSS or "Loja Sidadaun" (Citizen's Shop) for citizens at the municipal level. OSS intends to provide equitable service to women, people with disabilities, the elderly, and other vulnerable segments of society by transforming business processes. The OSS's goal is to improve frontline service delivery so that the public has equal, prompt, and trouble-free access to information, documents, and basic services. A policy note was developed outlining several recommendations, including: a feasibility study to ascertain the right approach suitable for Timor-Leste's context, a costed road map with timelines for piloting the OSS.

The Project has completed the procurement of services to conduct the OSS feasibility study. E-Governance Academy Foundation from Estonia has been selected through a competitive process.

4. Cross Cutting Issues

4.1 Gender Equality, Women's Empowerment, and Social Inclusion.

In the Municipal Electoral Law, a quota for women was established, requiring that women make up at least 33% of elected posts in municipalities. Under Article 12 (3) of the 2006 Law on the Elections of the National Parliament on electoral lists, 1 out of every group of 3 candidates must be a woman. To ensure compliance the list will be rejected if it does not comply with the quota provisions (Article 12 (3)).

In addition, to the above the Project has facilitated the development of a comprehensive road map where decrees, government regulations, ministerial diplomas, and dispatches were set to highlight how the administrative process will occur in the various areas. And to ensure gender equity the following resolutions were highlighted:

- a) The Republica Democratica de Timor-Leste | Journal da Republica released or published a Resolution of Parliament 16/2007, Approving the Creation of the Group of Timorese Women Parliamentary.
- b) A Resolution of Parliament 4/2008 Convention on the elimination of all form of discrimination against women <http://mj.gov.tl/jornal/lawstl/rdtl-law/rdtl-gov-resolutions-p/res-gov%204-2008.pdf>.
- c) Parliamentary Resolution 12/2010 Relating to the Preparation of a Budget that considers Gender Equality <http://www.mj.gov.tl/jornal/?q=node/1310>.

The Project is facilitating the implementation of the OSS, which intends to provide equitable service to women, people with disabilities, the elderly, and other vulnerable segments of society by transforming business processes.

The Project trained 300 civil servants, Municipal Administrators, Presidents over the reporting period, 2% of whom were female and 98% of whom were male (Male=293, Female=07). The trainings covered areas in public finance management (Planning, Budgeting, Budget implementation, Procurement etc.)

4.2 South-South and Triangular Cooperation

The Project facilitated an e-conference on OSS, co-hosted by the Ministry of State Administration (MSA), UNDP, (Bangkok Regional Hub and Timor-Leste Country Office), and the Astana Civil Service Hub, the e-learning event saw representatives from Bangladesh, Brazil, Estonia, Georgia, Kazakhstan, Malaysia, and Vietnam. A policy note was prepared because of the event, and it outlines conditions for the success of the OSS model: (a) strong political commitment from the start and throughout implementation, (b) institutional and legal reforms, (c) public participation is essential for ownership and coordination (d) cooperation across all levels of government (ministries, agencies, municipal level).

5. Partnerships

The partnership with the MSA has been strengthened over the course of the review period. The Ministry's leadership has been appreciative of the support being provided by UNDP not only through the Project but also other projects that are being implemented in close coordination with the Ministry.

6. Implementation Challenges and Measures Taken to Overcome Them

COVID-19 Pandemic: The Project's start nearly coincided with the COVID-19 pandemic in Timor-Leste. The unprecedented situation caused by the COVID-19 pandemic has had a significant impact on the Project's implementation. For example, the international conference on OSS could not be organized in person and no visits to the relevant countries could be organized to see the OSS model of service delivery. In response to this, the Project opted for an e-conference to ensure the continuation of activities and sharing of knowledge on OSS.

Change in the implementation modality of the Project: To swiftly deploy the needed human resources to the Ministry, UNDP and the Ministry agreed to hire the human resources through the Letter of Agreement (LOA) modality. Accordingly, the Ministry hired seven national and international experts in the early months of 2021. However, the Ministry decided to discontinue the hiring of the experts through LOA and requested UNDP to hire the experts through UNDP's contractual modalities, as appropriate. This change in the implementation modality during the Project's implementation slowed the implementation significantly. The contracts of seven experts hired through the LOA had to be discontinued and a new hiring process had to be started. By the end of December 2021, two experts were hired through the National Professional Service Agreement (NPSA) modality and the hiring of the remainder of the staff is underway.

7. Priorities for 2022

Output 1

The Project will continue providing technical assistance to MSA to draft follow-up regulations and decrees as required by the Law on Local Power and Administrative Decentralization and the Law on Municipal Election. Likewise, the Project will support the Ministry in the legislative process of the Municipal Finance Bill. These supports will be provided by a team of national and national advisors to be assigned to the Ministry.

Output 2

The completion of the feasibility study for the one-stop-shop will be prioritized by the Project. UNDP will work with the MSA and other relevant institutions to conduct a feasibility study. The study is expected to recommend a feasible model of gender- and disability- friendly OSS for Timor-Leste as well as the inter-ministerial coordination and harmonization required to operationalize the OSS.

8. Provisional Financial Summary

The ensuing table (table five) presents a provisional financial summary of the Project from 01 January 2021 to 31 December 2021.

Output	Source of Funding	Approved Budget	Expenditure	Balance
		(USD)	(USD)	(USD)
Output 1	Government of Timor-Leste (GoTL)	283,440.47	264,052.00	19,388.47
Output 2	GoTL	116,388.73	108,304.00	8,084.73
Project Management Unit (PMU)	GoTL	17,339.64	18,603.00	-1,263.36
DPC	GoTL	12,515.06	4,667.00	7,848.06
GMS	GoTL	19,335.78	13,258.00	6,077.78
TOTAL		449,019.68	408,884.00	40,135.68

Annex. Risk Logs

#	Description	Category (financial, political, operational, organizational, environmental, regulatory, security, strategic, other)	Likelihood of risk (scale of 1 to 5 with 5 being the most likely) A	Impact (scale of 1 to 5 with 5 being the highest impact) B	Risk factor (A x B)	Mitigation measures if risk occurs	Date risk is Identified	Last Updated	Status
1	Lack of Legal Framework	Political	3	3	9	Close coordination with the National Parliament and government at the local and national level to support decentralisation of public administration.	13/12/2021	13/12/2021	
2	Change in leadership	Political	5	5	25	Advocate with MSA to have all Municipalities appoint a staff member as the focal point for this Project to ensure institutional memory and continuation of the activities implemented in Municipalities.	13/12/2021	13/12/2021	Most likely to happen.
3	State of Emergency	Environmental	3	3	9	UNDP Will work together with MSA and	13/12/2021	13/12/2021	SOE was lifted.

						Municipal authorities to monitor government program in accordance with Covid 19 Protocols, with new Variants (OMICRON)			
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