

# Fund Transfer Request Form

to the Multi-Partner Trust Fund Office, UNDP



To be completed by the RC Office on behalf of Participating Organization(s)			
To:	Jennifer Topping	From:	Hemansu-Roy Trivedy
Title:	Executive Coordinator	Title:	Resident Coordinator, Timor-Leste
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Joint programme focal point	Ms. Munkhtuya Altangerel	Email address:	<a href="mailto:tuya.altangerel@undp.org">tuya.altangerel@undp.org</a>
Joint programme title :	Integrated National Financing Framework (INFF) and Financial Diversification in Timor-Leste	Participating UN Organization's (PUNO) Focal point & email (cc'd)	
Joint programme no:		FC1 2020 TLS	
Country:		Timor-Leste	
Theme (Call)		SDG Financing - Component 1	
		PUNO	PUNO focal point name
		UNDP	Ms. Munkhtuya Altangerel
		WHO	Dr. Rajesh Pandav
		IOM	Wonesai Workington Sithole

Notes/ Special Instructions, if any:

Amounts in USD - insert into the table and please do NOT use decimals.

Participating UN Organization(s), as applicable (Use English Acronym)	Total Approved Allocation * A	Total previously transferred amount (if applicable) B	Amount Requested at this time C	Remaining Balance after <i>this request</i> D = ( A - B - C)	Total Committed to date[1] E
UNDP	600,000	-	300,000	300,000	#N/A
WHO	200,000	-	100,000	100,000	#N/A
IOM	200,000	-	100,000	100,000	#N/A
		-		-	#N/A
		-		-	#N/A
<b>Grand Total:</b>	<b>1,000,000</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>	<b>#N/A</b>

Please check here if there is a change in the overall budget allocation:

[1] legally binding contracts signed, including multi-year commitments which may be disbursed in future years, prevailing guidelines.

Total amount committed as percentage of total amount received (% calculated, E/B) must be 75% or greater to request next installment	#N/A
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Joint programme end date (operational closure) as approved by the Joint SDG Fund Operational Steering Committee: Month/Year: 30-Jun-2022

I hereby confirm that the funds requested are calculated in accordance with the approved Work Plan & Joint Programme Document. \* I also certify that the copy transmitted to the MPTF Office is a true copy of the original which is secured by the RC Office. I have received documentation from Participating Organizations demonstrating Committed amounts as indicated in column E above where applicable. I also confirm that the PUNOs' indirect cost does not exceed 7%.

Signature:   
 Name: Hemansu-Roy Trivedy  
 Title: Resident Coordinator

Date: 22-Jun-20

\* Attach signed Joint Programme document with budget breakdown by PUNO and year.  
 \*\* Please submit soft copy along with signed version

## Joint Programme Document

### A. COVER PAGE

**1. Fund name:** Joint SDG Fund

**2. MPTFO Project reference number**

**3. Joint programme title**

Integrated National Financing Framework (INFF) and Financial Diversification in Timor-Leste

**4. Short title** Timor-Leste Integrated Finance SDG 17

**5. Country and region:** Timor-Leste, Asia-Pacific

**6. Resident Coordinator:**

Hemansu-Roy Trivedy. Email: [Hemansu.Trivedy@un.org](mailto:Hemansu.Trivedy@un.org) and/or [roy.trivedy@one.un.org](mailto:roy.trivedy@one.un.org)

**7. UN Joint programme focal point:**

Ms. Munkhtuya Altangerel, Resident Representative, United Nations Development Programme (UNDP) Timor-Leste. Email: [tuya.altangerel@undp.org](mailto:tuya.altangerel@undp.org)

**8. Government Joint programme focal point**

Sra Brigida Soares, Coordinator, Planning, Monitoring and Evaluation Unit (UPMA), the Office of Prime Minister. Tel: +670 78186688 Email: [bbsoares@gpm.gov.tl](mailto:bbsoares@gpm.gov.tl)

**9. Short description:**

The Joint Sustainable Development Goal (SDG) Fund in Timor-Leste aims to increase investment in sustainable development. Timor-Leste currently does not have a holistic, national, integrated financing framework to ensure sustainable investments in the SDGs. This Joint SDG Fund proposal aims to assist the government of Timor-Leste to develop and establish a holistic and Integrated, National Financing Framework (INFF). The INFF will help to improve the governance and coordination, articulate a financing strategy and strengthen the monitoring and oversight framework. The value of this work has taken on even greater significance since the COVID-19 pandemic – in part because of the greater demands on public financing but also because Timor-Leste's reserves through its Petroleum Fund have also been affected by the global economic downturn. Development financing is currently heavily reliant on financing from Timor-Leste's petroleum fund. To reduce the reliance on petroleum funding, the Joint SDG Fund will help diversify financing sources and grow the fiscal space. Three financing areas have been identified for catalyzing strategic investments in People, Prosperity and Planet that emphasize financing - health, diaspora and climate financing, respectively. A strong INFF that mobilizes pro-health taxation, diaspora financing through remittances and financing for climate-related SDGs will be a catalyst for increasing investments in sustainable development.

**10. Keywords:**

Integrated National Financing Framework, INFF, Sustainable Development Goals, SDG, Pro-health Taxation, Diaspora Financing, and Climate Financing.

## 11. Overview of budget

<b>Joint SDG Fund contribution</b>	US\$ 1,000,0000.00
<b>TOTAL</b>	US\$ 1,000,0000.00

## 12. Timeframe:

Start date	End date	Duration (in months)
<u>July 1, 2020</u>	<u>June 30, 2022</u>	<u>24</u>

## 13. Gender Marker:

Average score of 2.

## 14. Participating UN Organizations (PUNO) and Partners:

### 14.1 PUNO

United Nations Development Programme (UNDP)  
 Ms. Munkhtuya Altangerel, Resident Representative,  
 Email: [tuya.altangerel@undp.org](mailto:tuya.altangerel@undp.org)  
 Telephone: +670 3311220 Ext 1201

World Health Organization (WHO)  
 Dr. Rajesh Pandav  
 E-mail: [pandavr@who.int](mailto:pandavr@who.int)  
 Telephone: +670 7838 5065

International Organization for Migration (IOM)  
 Wonesai Workington Sithole, Chief of Mission  
 E-mail: [wsithole@iom.int](mailto:wsithole@iom.int),  
 Telephone: +670 7723189

### 14.2 Partners

- Office of Prime Minister of the Republic of Timor-Leste, Planning, Monitoring and Evacuation Unit (UPMA)
- Ministry of Finance
- Ministry of Health (MoH)
- Ministry of Foreign Affairs and Cooperation (MoFAC)
- Secretariat of State for Environment
- Secretariat of State for Youth and Unemployment (SEFOPE)
- Secretariat of State for Inequality and Inclusion (SEII)
- Ministry of Trade, Commerce and Industry (MTCI)
- The European Union (EU)
- Australian Department of Foreign Affairs and Trade (DFAT)
- World Bank (WB)
- Asian Development Bank (ADB)
- Chamber of Commerce and Industry (CCI-TL)
- Civil Society Organizations (CSOs)
- State and commercial banks, and non-governmental organizations (NGOs)

**SIGNATURE PAGE**



**SIGNATURE PAGE**

**Resident Coordinator:**  
Roy Trivedy




31 March 2020

**National  
Coordinating  
Authority**

Planning, Monitoring  
and Evaluation Unit,  
Office of the Prime  
Minister.  
Ms. Brigida Soares

31 March 2020

**Participating UN Organization (lead/convening)**  
United Nations Development Programme (UNDP)  
Munkhtuya Altangerel




31 March 2020



**Participating UN Organization**  
World Health Organization (WHO)  
Rajesh Pandav




31 March 2020

**Participating UN Organization**  
International Organization of Migration (IOM)  
Wonesai Workington Sithole




31 March 2020

## B. STRATEGIC FRAMEWORK

### 1. Call for Concept Notes: SDG Financing (2/2019) – Component 1

### 2. Programme Outcome [pre-selected]

- Additional financing leveraged to accelerate SDG achievement (Joint SDG Fund Outcome 2)

### 3. UNDAF Outcomes and Outputs

#### 3.1 Outcomes (from UNSDCF 2021-2025)

- **UNSDCF Outcome 4:** By 2025, the people of Timor-Leste increasingly demand and have access to gender-responsive equitable, high quality, resilient and inclusive Primary Health Care and strengthened social protection, including in time of emergencies
- **UNSDCF Outcome 5:** 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
- **UNSDCF Outcome 6:** By 2025, national and sub-national institutions and communities (especially 'at risk' populations including women and children) in Timor-Leste are better able to manage natural resources and achieve enhanced resilience to climate change impacts, natural and human-induced hazards, and environmental degradation, inclusively and sustainably

#### 3.2. Outputs (from UNDAF/ Cooperation Framework)<sup>1</sup>

- **UNSDCF Sub-Outcome 4.4.:** By 2025, sustainable and gender-responsive financing and budgeting for health is ensured to address unmet need for health services, reduce financial hardship arising from out-of-pocket payments and increase resilience to shocks especially for the poor, less educated, rural communities, women and children, persons with disabilities, TB, migrant and mobile populations and other marginalized and vulnerable population groups.
- **UNSDCF Sub-Outcome 5.2:** By 2025, people access effective and innovative public administration facilitated by SDG-focused, evidence-based and gender-responsive planning and budgeting systems and professional and meritocratic civil service professionals at all levels<sup>2</sup>.
- **UNSDCF Sub-Outcome 6.2.:** Safe, gender-responsive and climate resilient infrastructure, systems and human settlements for targeted communities are established and delivered.

### 4. SDG Targets directly addressed through this Joint Programme

#### 4.1 List of goals and targets

- SDG Target 17.3: Mobilize additional financial resources for Timor-Leste from multiple sources.

<sup>1</sup> The UN Sustainable Development Cooperation Framework (UNSDCF) Timor-Leste 2021-2025 is organized using Outcomes and Sub-Outcomes.

<sup>2</sup> The UNSDCF Sub-Outcome 5.2, Indicator 5.2.3 contains the SDG Indicator 17.3 Mobilize additional financial resources for developing countries from multiple sources.

- SDG Target 3.8.2: Reduction in proportion of population with large household expenditure on health as a share of total household expenditure or income (UNSDCF Sub-outcome 4.4)
- SDG Target 3.4.1: Reduction in mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease (UNSDCF Outcome 4)
- SDG Target 10.7: Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies (UNSDCF Outcome 5b)
- SDG Target 13.b: Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities

#### **4.2 Expected SDG impact**

The establishment of an INFF and implementation of financing reforms, will create a stronger commitment to partnership and cooperation for the goals (SDG 17) in Timor-Leste.

- The pro-health taxation reform will have positive implications on the health (SDG 3) of all Timorese people by combating financial hardship arising from out-of-pocket expenses and decreasing the mortality rate attributed to cardiovascular disease.
- Diaspora financing will, through a gender-inclusive diaspora policy, reduce inequalities (SDG 10) as well as raise capacity for effective climate change measures (SDG 13).
- The climate financing will take action to combat climate change and its impacts (SDG 13). Promoting gender equality and leaving no one behind, especially women and girls, is a cross-cutting goal in the Joint SDG Programme (SDG 5).

#### **5. Relevant objective(s) from the national SDG framework**

This Joint SDG Programme is aligned with the priorities of the Government of Timor-Leste's national SDG framework. In the country's first Voluntary National Review (VNR) 2019, it was emphasized that Timor-Leste is in a critical state-building phase, and it is important to "create new partnerships and carefully leverage external and domestic resources to finance sustainable development"<sup>3</sup>.

Priority SDG targets specifically mentioned in the VNR include:

- Reduce the mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease (SDG 3.4.1);
- facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies (SDG 10.7);
- and promote mechanisms for raising capacity for effective climate change-related planning and management (SDG 13.b), which are in line with the objectives of this Joint Programme.

#### **6. Brief overview of the Theory of Change of the Joint Programme (JP)**

To achieve the SDG and national Strategic Development Plan (SDP) goals by 2030, Timor-Leste needs to increase its investment in sustainable development. There are two main challenges hindering investment needed to achieve the SDGs in Timor-Leste. First, there is

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<sup>3</sup> Government of Timor-Leste (2019), Report on the Implementation of the Sustainable Development Goals: From ashes to reconciliation, reconstruction and sustainable development, Voluntary National Review of Timor-Leste 2019, Dili: Timor-Leste, pg. 104.

no existing national, holistic and integrated system of financing for the SDGs in Timor-Leste. Second, development financing in the country is non-diversified and heavily reliant on the Petroleum Fund. To achieve the transformation required to attain the investment needed for sustainable development in Timor-Leste, these two challenges must be addressed.

This proposal aims to address the first challenge, through establishing the INFF coordination framework. The second challenge (narrow fiscal space) will be addressed through identifying and mapping innovative SDG financing options and opportunities from which the country could benefit.

Three specific areas of potential additional financing that have been selected for further explorations are: health financing; diaspora financing; and climate financing. Additional financing for these three specific areas could generate increased SDG investments in: People (through health financing); Prosperity (through diaspora financing); and Planet (through climate financing). It would also enable the government to develop a clear plan of action for exploring other potential areas additional financing for SDGs in the future.

## **7. Trans-boundary and/or regional issues**

Potential revenue-generating activities under the JP can also utilize trans-boundary and regional platforms such as the Association of South East Asian Countries (ASEAN) and the intergovernmental organization g7 + (g7 + Group).

Timor-Leste has applied for ASEAN membership, and its eventual accession will also open up economic opportunities, including the possibility to leverage additional financing sources from the region's association. The Participating United Nations Organizations (PUNOs), will continue to support the Government of Timor-Leste in this area. The JP will also engage with the g7+ Group which Timor-Leste co-founded in 2010 in Dili. The JP will explore the possibility of engaging with the g7+ Group Secretariat in Dili on the INFF process. In particular, the JP will leverage on the Group's peer learning and fragile-to-fragile (F2F) cooperation concept with regards to financing, implementation and monitoring of SDGs from other member states.

## C. JOINT PROGRAMME DESCRIPTION

### 1. Baseline and Situation Analysis

#### 1.1 Problem statement

Timor-Leste has embraced the 2030 Agenda for Sustainable Development since its inception, and the national SDP (2011-2030) provides the overarching strategic framework for achieving the SDGs. In 2017, the Government developed a roadmap for the implementation of the 2030 Agenda and the SDGs, which – together with the SDP – has become the basis for mainstreaming the SDGs into national policies and programmes. In 2019, the country presented its first VNR at the High-Level Political Forum on Sustainable Development in New York. As one of the next steps, the Government highlighted the need to strengthen existing and new partnerships as well as advocating for financing for sustainable development, as part of the strategy for Timor-Leste's Least Developed Country (LDC) graduation plan.

The Government of Timor-Leste, with support from UNDP and EU, conducted a **Development Finance Assessment (DFA)** in 2018. During the 2019 UN General Assembly, Timor-Leste expressed its political commitment to become one of the 15 pioneer countries to establish and implement an **Integrated National Financing Framework (INFF)**. This commitment was made to address on the critical need to explore new and innovative means to mobilize additional resources for sustainable development and to revisit the way in which existing resources are being utilized to achieve the country's development aspirations. The Government of Timor-Leste emphasised the need to move beyond generic advice about policies for effective development financing, and instead focus on specific challenges and opportunities for Timor-Leste. Accelerating the achievement of the SDGs will require a more coordinated and integrated approach to public and private financing.

#### ***Oil Dependent and Non-Diversified Development Financing***

The DFA showed that current development finance landscape in Timor-Leste is dominated by domestic public financing largely via petroleum and gas revenues accounting for more than 70 percent of total financing in Timor-Leste in 2016 (**See Figure 1** under the Annexes). Oil receipts dropped more than 15-fold after reaching its highest peak of almost US \$4 billion in 2012 to US\$220 million in 2016, due to declines in oil producing fields and lower global oil prices. With the global impact of the COVID-19, there is a strong likelihood of further deterioration in revenue over the next few years.

The government policy of frontloading expenditure SDGs investments and government activities from the Petroleum Fund (PF) may lead to a complete runout of its reserves in the next 8 to 11 years. Additionally, petroleum receipts from existing oil fields are expected to cease by 2022/3. Furthermore, financing from the "Greater Sunshine," the potential off-shore gas project that is estimated to hold \$50 billion worth of gas and condensate can be vulnerable to falling oil prices and a global shift in investments towards renewable energy resources due to climate change issues. Domestic private financing has been notably small, only accounting for 5.7 percent of the total financing in 2016 (**See Figure 1** under the Annexes). To generate sustainable finance for the SDGs, the Government needs to move away from the heavy dependence on oil and gas revenues, and to diversify the sources of development financing and the structure of the economy.

#### ***Policy and governance gaps and needs, to be addressed through the Integrated National Financing Framework (INFF)***



The Government's approach to financing is broadly set out in the SDP, however, the approach is neither holistic nor integrated. The SDGs and the SDP are not yet costed, and therefore, it is hard to estimate the full extent of needs and resources required from domestic, private and Overseas Development Assistance (ODA) sources to finance the SDG bottlenecks and gaps. Timor-Leste is also currently undertaking reforms in many areas of public and private finance; however, as with many other countries, this has been largely done on sectoral and piecemeal basis. The establishment of INFF offers the opportunity to bring all these pieces together and establish a strategic framework that would outline policy options and objectives across different SDG related areas and assess public and private financing possibilities. The INFF could also help review and align national budgets and off-budget expenditures to ensure that aspirations set out in the SDGs and the SDP are more likely to be achieved.

Moreover, there is an inadequate framework for effective monitoring and review of how different forms of financing contribute, in a coherent way, to the achievement of the SDGs and the SDP. Currently, no lead institution or formalized system is in place for coordinating financing policies with accountability toward the SDGs and the SDP.

### ***Addressing the need for diversification of SDG financing***

With a holistic INFF established, the Government will have the framework required to effectively explore and implement options for accelerating SDG investments. Three financing reforms have already been identified for implementation under the INFF framework- health, diaspora, and climate financing. The focus on these three areas is intentional: to allow for increased SDG investment in People (through health financing), Planet (through climate financing), and Prosperity (through private sector and diaspora financing).

**Health financing** needs to increase, if Timor-Leste's national health system is to become – as mandated by its Constitution - universal, free of charge, decentralised and participatory. This is one of the conclusions of the Health Financing Strategy developed in 2019. Currently 6.7 percent of the National Budget is targeted at the Health Sector. The existing range and quality of services are insufficient to meet the needs of all citizens. There is a need to enhance and expand health services and to ensure that new 'demands on health services' as a result of the spread of 'lifestyle diseases' are controlled. The Government of Timor-Leste has made a strong commitment to introduce taxes on alcohol and tobacco products both as a way of reducing the use of harmful products but also to raise additional finance to support improved health services and strengthen the health system. The INFF work will therefore include a more detailed analysis of the possibilities of generating additional revenues for health financing from the introduction of taxes on alcohol and tobacco products.

**Diaspora financing** has great potential, given that remittances from the diaspora constitute Timor-Leste's second largest source of income after oil and gas. In 2017, the inflow of personal remittances was 2.95 percent of GDP, up from 0.14 percent in 2006. An initial analysis by the UN shared with the Ministry of Finance shows that more than \$900 million is currently invested offshore by Timorese nationals (equivalent to over 60 percent of country's annual GDP). The current offshore investments by Timorese nationals is higher than the total ODA (actual disbursements) to Timor-Leste over the past three years: \$ 202 million (2017), \$ 187 million (2018) and \$158 million (2019). Therefore, efforts should be made to create a conducive environment through gender responsive and systematic reform to engage diaspora in financing to support Timor-Leste in achieving the SDGs. While recognizing the paramount contribution of remittances to the welfare of many households in the country, as well as the national economy, there remain many challenges for Timorese diaspora communities living abroad and migrant workers participating in seasonal labour

schemes. The INFF will therefore explore the scope for this and assess the potential for increasing financing for the SDGs in Timor-Leste through proactive engagement and partnership with the diaspora.

As a Small Island Developing State (SIDS), Timor-Leste is highly vulnerable to climate-change driven disasters and needs to increase **climate financing** from both public and private sources. The Government needs to be better equipped with know-how and capacities to proactively benefit from climate financing already available to SIDS. In addition, the private sector and financial institutions need significant injection of knowledge and skills to develop low-carbon products and services, and deliberately prioritize 'green' and 'blue' investments. This will be the third specific area that the INFF will explore in greater detail due to its net benefit to the society and economy.

## 1.2 SDGs and targets

This JP intends to contribute directly to **5 out of the 169 global SDG targets across 4 SDGs**. The aim is of the JP is to identify and mobilize additional financing leveraged to accelerate SDG achievement, in order to invest in People, Prosperity and Planet. First and foremost, this JP will establish a national, coherent and integrated financing strategy in Timor-Leste (SDG Target 17.3). With the coherent INFF system in place, this will create the systematic change needed to support the mobilization of additional financial resources from multiple sources (SDG Target 17.3). This interlinks with the three financing areas, which will mobilize financing sources (SDG Target 17.3) under the INFF system: pro-health taxation, migration and climate financing. Leaving no one behind, especially women and girls, and achieving gender equality (SDG 5) is a cross-cutting goal in all financing areas.

Pro-health taxation will invest in the **people** of Timor-Leste, leaving no one behind, especially women and girls. This will be done by mobilizing additional, domestic financial resources (SDG Target 17.3). This will combat financial hardship arising from out-of-pocket payments and reduce the proportion of the population with large household expenditure on health as a share of total income (SDG Target 3.8.2.). The pro-health taxation will also have positive health effects, as the mortality rates attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease will decrease (SDG Target 3.4.1).


By mobilizing diaspora financial resources (SDG Target 17.3), this will empower the Timorese diaspora communities to invest more easily in the country's **prosperity** and contribute to the sustainable development agenda. A dedicated, gender-inclusive policy on diaspora will be designed and developed to facilitate safe, orderly, regular and responsible migration and mobility (SDG Target 10.7). Remittances will be mobilized and invested to build resilience to climate change. Mechanisms will be established to raise capacities for effective climate-change related planning and management (SDG 13.b).

Timor-Leste, ranked one of the most vulnerable countries in the world to climate change, will mobilize investments in the **planet** through increased climate financing sources (SDG Target 17.3 and SDG Target 13.a). This will contribute to achieving gender equality (SDG 5) by promoting greater involvement of women in decision-making, capacity development and mobilization of climate financing related initiatives.

### SDG Targets

SDG Goal	Project Area	Baseline	Measuring Method
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	<b>SDG Target 17.3</b> Mobilize additional financial resources for Timor-Leste from multiple sources. ( <i>UNSDCF Sub-outcome 5.2</i> )		
	INFF	72 percent domestic public financing primarily from petroleum revenues. Data Source: Timor-Leste National Accounts	Development financing from petroleum revenue decreases and other financing sources increases. Data Source: National Accounts.
	Health Financing	No progressive pro-health taxation in existing tax regime. Data source: Tax structure and schedules	Updated pro-health tax regime. Verified through Data Source: Tax structure and schedules.
	Diaspora Financing	No platform and capacity to mobilize diaspora contributions into national priorities and SDGs	Strategy Documents, Reports. Source: IOM, Government
	Climate Financing	No innovative and scalable climate financing program exists. US \$ 22.4 million through Green Climate Fund (GCF)	Increased mobilization of climate financing from diverse sources. Data Source: UNDP, Government
	<b>SDG Target 3.8.2:</b> Proportion of population with large household expenditure on health as a share of total household expenditure or income ( <i>UNSDCF Sub-outcome 4.4</i> )		
	Health Financing	2.9 percent (2017). Data Source: SDG Monitoring/Profile	Household health expenditure decreases. Data Source: SDG Monitoring/ Profile
	<b>SDG Target 3.4.1:</b> Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease ( <i>UNSDCF Outcome 4</i> )		
	Health Financing	19.9 percent, Data Source STEPS survey 2018	STEPS survey
	<b>SDG Target 10.7:</b> Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies. ( <i>UNSDCF Outcome 5b</i> )		
	Diaspora Financing	No migration governance policies and strategies facilitating orderly, regular and responsible migration	Target 4 policies/strategies, Data source: Migration Governance Indicator Report for Timor-Leste 2018-2021-2023
	<b>SDG Target 13.b:</b> Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities		
	Diaspora Financing	No new policy interventions to create conditions for Timorese in the diaspora to mobilize climate smart investments which	National policy and action plan, diaspora engagement strategy, schemes to mobilize remittances

		contribute to achieving the SDGs.	
	Climate Financing	No innovative and scalable climate financing program exists. US\$ 22.4 million through GCF	Increased mobilization of climate financing from diverse sources. Data Source: UNDP, Government

### 1.3 Stakeholder mapping and target groups

#### **Key Stakeholders at political level**

The Office of Prime Minister (PMO) will provide the overall oversight and leadership of the INFF process. In 2019, the Government of Timor-Leste established the Inter-Ministerial Council, chaired by the Prime Minister, to oversee all initiatives related to public finance management (PFM), government administration and other major reforms in the country. The INFF ownership could be ensured through the continued operations of the Inter-Ministerial Council.

Based on consultations led by the UN Country Team (UNCT), a preliminary discussion was held with the Planning, Monitoring and Evaluation Unit (UPMA) of the PMO regarding the feasibility of the Inter-Ministerial Council to take on the mandate of the **INFF Oversight Committee** and lead the process of operationalizing an INFF in Timor-Leste. While this arrangement should be reviewed again during the inception phase of the JP, it is recognised by all UN participating agencies that the Council could provide political leadership and drive a whole-of-government approach to building coherence across financing policies, and ultimately shape public and private financing policy on the SDGs. The Council could provide substantive guidance, convene stakeholders, lead the development of key outputs (e.g. a financing strategy), determine and champion all the activities that will be taken within the process. The Council could also guide the implementation of the INFF roadmap and other priority financing reform initiatives. Presided by the Prime Minister (his/her delegate), the official members of the oversight body could comprise of high-level decision makers from the Ministry of Finance, Coordinating Ministry for Economic Affairs (MCAE), Ministry of Planning and Strategic Investment (MPSI), Chair of Chamber of Commerce and Industry of Timor-Leste, Chair of TradeInvest, UN Resident Coordinator (RC) and the European Union (EU).

Until the Inter-Ministerial Council is reactivated and operational, governance and the coordination mechanism of the inception phase of INFF will be fulfilled by the national DFA Oversight Team established under the DFA process. The DFA Oversight Team is composed of senior policy makers from the government institutions identified as key to the implementation of the DFA roadmap and development partners. Jointly chaired by the Minister of Finance and the Head of UPMA of the PMO, its members include representatives from government institutions such as Mega Project Unit of the Ministry of Development and Institutional Reform, Ministry of Trade, Commerce and Industry (MTCI), TradeInvest, Chamber of Commerce and Industry, UNDP and the EU. DFA OT continues to serve as an official forum for the government consultation and collective ownership over the reforms for financing and actions proposed in the DFA roadmap over different areas of financing policy and is currently guiding the implementation of the inception phase of INFF.

A dedicated **INFF Secretariat** will be added will be created to support the Inter-Ministerial Council and includes key decision makers from the Ministry of Finance, UPMA, MCAE, MPSI,

and other ministries playing a central role to INFF. The key role of the INFF Secretariat is to support functions, lead on planning, coordination and monitoring of INFF to ensure the Inter-Ministerial Council is kept aware of emerging policy priorities in relation to the INFF.

### ***Stakeholders at technical level***

Technical agencies will play a critical role in supporting the Government of Timor-Leste throughout all phases- *inception, set-up, and operationalization*- of the INFF. Supporting the INFF Secretariat is a **Technical Working Group** which will play a key role in bringing together and analysing the necessary data and policy information, shaping the technical outputs and designing practical, implementable solutions to be incorporated within the INFF roadmap. This Working Group is to be co-led by UN RC and the EU with participation from relevant development partners and selected UN agencies. Engaging at the INFF Secretariat level, UN RC will be bringing together the support of other UN agencies and ensure wider positive synergies across the SDGs. UNDP, as the lead technical agency for the INFF support, will mobilize its global and regional expertise and provide policy advisory services throughout the process. The EU, as the provider of the direct budget support to the government, has been leading the PFM reform together with other development partners, and will continue playing this lead role. In addition, to support the DFA, the EU also engaged with the government on the establishment of the Infrastructure Investment Strategy (IIS) and will continue to be providing full technical support to this initiative.

Under the UN RC and EU, the UNCT (resident and non-resident agencies) will bring together their respective agency tools as well as those of other partners to support a comprehensive approach to INFF related reforms with the Government. This will bring the SDGs into the heart of the discussion around finance reform ensuring that all finance policy includes a consideration of the implications for impact on the SDGs. Other development partners such as the World Bank Group (WB) will provide technical support in an array of areas related to their current and planned engagement with the Government, including PFM. For instance, the WB recommendations from the 2019 Public Expenditure and Financial Accountability (PEFA) assessment will be integrated as part of the integrated Financing Strategy.

### ***Wider stakeholder engagement***

The overall goal of the INFF is to identify and leverage additional finance for sustainable development objectives through growing the fiscal space, increasing the private and public sector investments, and stronger planning and budgeting aligned with the SDGs and the SDP. Therefore, engagement with a range of stakeholders from the private sector such as Chamber of Commerce and Industry Timor-Leste (CCI-TL), financial institutions (including the Central Bank of Timor-Leste), development partners, the UN Agencies, NGOs, CSOs, community groups and local governments is critical throughout the INFF process. For priority reform areas to be implemented under the JP- pro-health tax reform, diaspora engagement, and climate financing- the participating UN agencies will also engage with various stakeholder across the public and private sectors.

Extensive stakeholder engagement and consultation is critical for the pro-health taxation reform. The government Ministries (Ministry of Health and Ministry of Finance) will be engaged in the entire architecture of this initiative. Technical partners and prominent bilateral and multilateral development partners working on PFM reform (UNDP, World Bank, EU, DFAT) will be actively engaged and consulted. Consultations with other government ministries and agencies, parliamentary committees, non-government sector, civil society, private sector, industries and communities will be necessary to build consensus and agree on the identified options and implementation framework. Stakeholders involved in protection of women and girls and vulnerable socio-economic groups will also partake in the consultations.

In order to achieve gender responsive systematic reform to engage the Timorese diaspora in financing the SDGs, a multi-stakeholder process will be adopted. The Ministry of Finance and the Ministry of Foreign Affairs and Cooperation (MOFAC) will lead the entire architecture of implementation, with support from the PMO and SEFOPE. A Sector Policy Review Committee will be established comprised of senior-level officials in Ministries with migration-related mandates. Technical partners including UNDP, the WB and ADB will be actively engaged and consulted. Civil Society Organizations (CSOs), the Timorese Diaspora in its different formations, Timorese Embassies and the private sector will also play a key role in sustaining diaspora engagement and in the validation and implementation of diaspora policies and programmes.

Climate finance component will closely cooperate with MCAE, MPSI and other ministries playing a central role to INFF and will additionally involve Banco Central and commercial banks in consultations, understanding and recognizing policy incentive options for green finance framework. Government, NGOs and CSOs focusing on promoting gender equality will be actively involved in the decision-making and capacity development for climate financing. (See *Stakeholder Engagement Matrix* in Annex 6).

## 2. Programme Strategy

### 2.1. Overall strategy

The JP aims to adopt a **two-tier strategy** focusing on:

1. strengthening the core system of governance over public and private financing around the building blocks of an INFF; and
2. identifying and implementing priority reforms related to specific areas of financing.

This strategy is based on Timor-Leste's strong commitment to implement INFF along with 14 other countries (as expressed during the 2019 UN General Assembly). Such commitment was reaffirmed during stakeholder consultations where the Government of Timor-Leste, through Development Partnership Directorate of the Ministry of Finance (DPMU) and UPMA of the PMO, stated a continued government commitment to strengthen national financing initiatives. Having established key elements of INFF Building Blocks (See *INFF Building Blocks* in Annex 7), Timor-Leste is well set-up to embark on the next phases of INFF establishment, namely the INFF set-up and INFF operationalization phase. Approximately half of the resources from the Joint Fund will be used to support the Government in establishing the INFF framework, as this will be necessary to create a strong foundation.

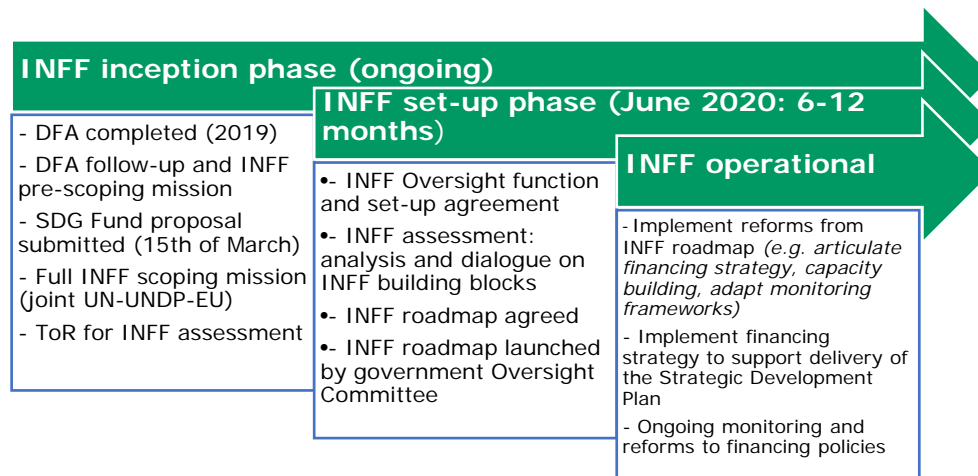
#### 1. Strengthening the core system of governance over public and private financing around the building blocks of an INFF

The *first tier* of the JP will bring together existing structures, policies and processes in financing to a more systematic, holistic, and integrated framework for development financing. Key INFF activities that will be launched under the first tier of the JP include supporting the development of mechanisms for governance and coordination, an integrated financing strategy and monitoring and oversight.

#### *Phases of INFF Establishment*

The establishment and operationalization of an INFF follows three distinct phases: *inception*, *set-up* and *operations* (See *Figure 2*). The aim is that the process of INFF set-up and operationalization will be supported by resources from the Joint SDG Fund which may be

received from June 2020.



**Figure 2:** Overview of the proposed phases of INFF operationalization in Timor-Leste.

*a. Inception phase (Ongoing)*

The *INFF Inception Phase* aims to build agreement among the key actors about the objectives and process that will be followed, raise awareness and ownership over the establishment of INFF among the wider group of stakeholders that it will engage. Supported by consultations, a proposal will be submitted to the Joint SDG fund.

*b. Set-up phase (June 2020: 6-12 months)*

The *INFF Set-Up Phase* focuses on determining oversight for the INFF set-up and operations, and establishing institutional housing, composition and roles. The set-up analysis will inform the development and agreement of INFF Roadmap, the main output of this phase. This roadmap will be agreed by, and have the ownership of, the oversight committee and actors responsible for taking forward each step.

*c. Operationalization of the INFF (2021 to first half of 2022)*

During the *INFF Operationalization Phase*, the respective national and international partners under the leadership of the oversight committee will engage in the implementation of reforms from INFF Roadmap to support a comprehensive establishment of INFF in Timor-Leste. This will primarily include articulation of an integrated financing strategy and implementation of other INFF priority reforms.

**2. Identifying and implementing priority reforms related to specific areas of financing**

The *second tier* of the JP will focus on identifying and implementing priority reforms. Three specific areas of financing have already been identified:

1. supporting the Government of Timor-Leste in re-designing and implementing pro-health taxes to finance investment in health.
2. leveraging on diaspora dialogues and engagement schemes to amplify the impact of diaspora financing for the SDGs with an emphasis on promoting climate and nature-based solutions for sustainable local and national development and enhancing linkages with inclusive finance and other investments.
3. undertaking feasibility study to introduce various concessional climate related finance instruments in combination with private sector support and use financial mechanisms to facilitate green business initiatives.

Identification of and support for further priority reforms to be determined during the inception phase.

### ***Why is this transformational?***

This JP will enable the Government of Timor-Leste to make more informed choices about how to finance for the SDGs, rather than solely relying on public financing. This is the first time that a national financing framework enables the Government to make effective choices about different types of public, private and blended financing options to achieve the SDGs. The achievement of the SDGs and SDP will be accelerated, due to three transformational elements:

First, the financing strategy will transform financing from an ad-hoc approach to a national, **strategic, coherent financing approach**. An integrated approach to financing has the potential to unlock new resources or strengthen sustainable impact. The Joint Program will tap into synergies that would otherwise be lost and unaddressed. As the volume and sources of financing increases, financing will strategically develop the priority SDGs and SDP.

Second, the JP is transformational as it could assist the core development financing to move away from unsustainable, finite petroleum funding and instead provide a basis for a **more diversified financing framework** for the country. Financial diversification has the potential to accelerate investments in the SDGs and SDP, as the country would also gain access to larger funds for financing.

Three identified **financial sources currently untapped** create transformational change in financing for People, Prosperity and Planet. Pro-health taxation will be an opportunity to raise additional finance to strengthen health services and systems. Availability of the large volume of remittances, as well as exploring the use of offshore investments from the diaspora, would give the Timorese means to directly finance for development. Access to climate financing will enable access to green and blue financing and investments.

### ***Why is this different?***

This is the first time that achieving the SDGs and SDP would be viewed and organized through a **coherent and sustainable financing lens**. This JP is the first time that the UN System, EU, DFAT, the World Bank Group and other development partners together would have a platform to bring their tools and services to implement the recommendations of the Addis Ababa Action Agenda, which recognizes the important and different roles that public and private finance can play to advance the SDGs.

### ***Contribution to accelerate the progress on achieving the SDGs***

**The SDGs are at the heart of the INFF** dialogues and discussions. A strong and functioning INFF will increase efficiency and effectiveness of public spending. Increased tax revenues will increase the positive impact of tax policy on the SDGs; identifying and mobilizing domestic resources through SDG aligned debt instruments; and identifying and implementing opportunities for aligning and mobilizing further private capital for the SDG will also accelerate progress on achieving the SDGs.

### ***Added value of UN***

The UN in Timor-Leste is uniquely positioned to bringing the **SDGs into the heart of the discussion** around financing policy and reforms. As a multilateral international organization, the UN brings knowledge, expertise, experiences, lessons learned and innovative approaches from other countries and regions on development financing. The confidence entrusted in the UN by the people and the Government of Timor-Leste as a



neutral and impartial actor is founded on the history of the UN in-country starting from the country's independence. As such, UN is well placed to play the role of an integrator, a convener and a development partner.

***Expected result after the JP is completed***

At the end of the JP, the aim is that there will be **increased whole-of-government collaboration**, coherence and prioritization across public and private financing policies. More specifically, the Inter-Ministerial Council will be well positioned and supported to function as an effective governance and coordination mechanism. The Government of Timor-Leste will articulate **a financing strategy** which will have a shared ownership of PMO, the Ministry of Finance, MCAE, MPSI and other key actors across government, bringing together these policy areas. This financing strategy is used to prioritize and sequence reforms and to build horizontal and vertical alignment across financing policies and with longer-term sustainable development objectives. Additionally, indicators and systems for collecting data on a wider and deeper range of financing related indicators will have been agreed and are incorporated within government's existing systems for monitoring national sustainable development. These will inform policymakers and support more responsive policy toward a broader spectrum of financing for national sustainable development. Moreover, key reforms in areas prioritized through the financing strategy will be implemented and potentially unlock new resources and greater contributions toward sustainable development priorities.

**2.2 Theory of Change**

To achieve the SDG and SDP goals by 2030, Timor-Leste needs to increase additional financing leveraged to accelerate SDG achievement. There are two main challenges hindering the sizable investments needed for sustainable development. Firstly, there is no national, holistic and integrated system of financing for the SDGs. Secondly, development financing is non-diversified and heavily reliant on the Petroleum Fund. In order to achieve the transformation required to attain the investment needed for sustainable development in Timor-Leste, these two challenges must be addressed. The first challenge, lack of a holistic and integrated financing approach would be addressed through establishing the INNFC coordination framework. The second challenge, narrow fiscal space, is addressed through mapping innovative SDG financing options and opportunities from which the country could benefit from. As such, there is a need to accelerate increased SDG investment through three areas of financing that have been intentionally chosen: health financing, diaspora financing and climate financing. Intentional financing from these three areas would allow for increased SDG investment in People (through health financing), Prosperity (through diaspora financing) and Planet (through climate financing).

**The Theory of Change Explained**

**Holistic and integrated system of financing for SDGs is strengthened (Output 1)**

The core system of governance over private and public financing needs to be implemented using a more holistic and integrated approach. This can be achieved through, inter alia, development of mechanisms for a solid and functioning cross-government governance and coordination of an integrated financing framework; an articulation of integrated financing strategy that provides clearer strategic framework for prioritizing financing reforms; as well as review of the current monitoring systems to enable monitoring of the financing across public and private sectors and their impact on the sustainable development priorities. The Government of Timor-Leste has adopted a range of finance policies and embarked on the implementation of a number of ambitious reforms to strengthen the mobilization of domestic and private resources such as improving the governance and capacity of the

government's budgeting and financial management, strengthening alignment of development assistance with the country's development vision, and a number of ongoing initiatives to address business environment issues, and substantial infrastructure investments. However, these have largely been undertaken on an ad-hoc and piecemeal basis, and do not form part of a larger strategic approach to financing the SDGs. The overall effort could be more efficient and effective if the key players aligned their reforms. A well-coordinated, targeted effort to attract sustainable, inclusive investment in priority industries could help kick-start the growth that is central to the strategy of the SDP. It could also help to formalize and focus the investments being made under the frontloading policy and unlock new resources or strengthen sustainable impact.

The assumptions driving this strategy are that by supporting the Government in developing cross-government coordination mechanisms across public and private finance; creating a clearer integrated financing strategy that can bring together reforms and strategic direction across public and private financing policies, instruments and partnerships; and in adapting and developing adequate monitoring mechanisms that allow the government to trace and monitor financing across public and private sectors and its impact on sustainable development, the Government can identify and mobilize additional financing and strategic investments that will be needed to achieve the SDP and SDGs.

There is significant untapped financing potential in three sectors: health, diaspora and the climate. If financing from these three areas can be explored, this will help diversify financing sources and accelerate the investment in the SDGs as demonstrated in Outputs 2, 3, and 4.

### **Pro- health tax reform (output 2)**

Timor-Leste has among the highest rates of tobacco use in the world exposing an estimated 40 percent of the population to significantly increased risks of cardiovascular disease, stroke, cancers and chronic obstructive pulmonary diseases. Similarly, alcohol consumption tripled in the last 8 years in 2008 to 2016 with alarming trends among school children and adolescents. The need to expand domestic sources of financing for health investments is amplified by potential future trends in ODA, which is currently an important source of financing the health sector. 22.4 percent of total health expenditure was funded through ODA in 2017 and external assistance is gradually seeing a declining trend.

Pro-health taxes are imposed on products that have a negative public health impact (e.g. taxes on tobacco, alcohol, products high in sugar, salt and fat). These taxes result in healthier populations, generate additional revenues for the Government and decrease the reliance and vulnerability to ODA. These are progressive measures which benefit low-income populations relatively more, once health care costs and health burden are considered. The key underpinning assumption is that by redesigning and implementing pro-health taxes, not only Timor-Leste will not only have a healthier population, but also reduced healthcare costs in the long run, as well as additional revenues created for the government which can be used to increase investments in SDGs.

### **Diaspora engagement and financing (output 3)**

Timor-Leste's diaspora communities are growing with approximately 10 percent of the population currently residing outside the country and remittances from the Diaspora constituting Timor-Leste's second largest source of revenue/income, after oil. This proposed investment case is based on the assumption that by engaging with the diaspora and migrant communities, the Government of Timor-Leste can harness the benefits of circulation of remittances, and the experiences and competencies gained, which can be channeled to increase remittance-based investments towards sustainable development and climate action.

An enabling environment for open dialogue to facilitate exchange and to harness the contribution of diasporas in financing the SDGs is recognized and there is a need to create a structure and policy to engage and empower diaspora for sustainable development. Drawing on feasibility studies and assessments, a gender-responsive Diaspora National Action Plan would include steps of innovative pilot activities on engaging targeted diaspora communities abroad in selected countries, as well as engaging seasonal migrant workers. A Diaspora engagement scheme will be built to mobilize diaspora financial remittances towards financing SDG priorities, the action will support the Government to research and document initiatives such as the issuance of diaspora bonds, impact investments and other measures.

#### **Climate financing and green businesses (output 4)**

The third investment case proposed by the JP is the introduction of various concessional green and climate related financial instruments to facilitate the green business initiatives in Timor-Leste. Timor-Leste, ranked as 9<sup>th</sup> most vulnerable to climate-induced disasters, requires concerted efforts to mobilize climate-finance from all public and private sources. As a SIDS and an LDC, the country is already falling behind its peers in formulating a clearly defined vision for climate mitigation and adaptation. In a business as usual scenario, the country will continue being ill equipped to reduce enormous burden associated with climate crisis. Therefore, within the INFF framework, the UNCT will prioritize climate financing as one of the concrete investment cases urgently needed for the country's sustainability. During the next two years, the JP will map all public-private climate financing options/opportunities available for the country and develop a menu of investment options. One or two test investment cases will be conducted with private and public sectors collaboration to demonstrate the feasibility of climate financing (e.g. carbon trading permits and/or carbon footprint reducing schemes with large private sector participation (airlines, ports, etc.), exploring options to finance biosphere and marine ecosystems preservation (especially the coral reefs), promoting carbon neutral strategies for the Central Bank and the Petroleum Fund of Timor-Leste) complemented by a light investor mapping and engagement of private sector stakeholders to strengthen both local and regional sustainable value chains. As a result of this intervention, Timor-Leste will have a stronger foundation to proactively prepare itself against worst impacts of climate crisis and develop comprehensive climate finance strategies and policies to roll out bankable green investment projects.

# THE JOINT SDG FUND

## THEORY OF CHANGE



OUTCOME	<b>Additional financing leveraged to accelerate SDG achievement</b>		
	 <p><b>Growing fiscal space</b></p>	 <p><b>Increased private sector investment</b></p>	 <p><b>Stronger planning &amp; budgeting in line with the SDGs</b></p>

### INFF ARCHITECTURE

OUTPUT	<b>Holistic and integrated system of financing for SDGs is strengthened</b>		
ACTIVITIES	<p><b>Governance and Coordination</b></p> <ul style="list-style-type: none"> <li>Oversight Team reactivated</li> <li>INFF Secretariat established</li> <li>Dialogues on financing priorities</li> </ul>	<p><b>Financing Strategy</b></p> <ul style="list-style-type: none"> <li>Integrated financing framework articulated</li> <li>INFF roadmap developed</li> <li>Assessment of other PFM initiatives</li> </ul>	<p><b>Monitoring and Oversight</b></p> <ul style="list-style-type: none"> <li>Monitoring framework reviewed &amp; strengthened</li> <li>Fiscal space &amp; MTEF strengthened</li> </ul>

**HEALTH FINANCE**

**Enhanced domestic resources to finance health investments**

**Knowledge/evidence generation**

- Assessments
- Analyses

**Stakeholders engagement**

- Consultations

**Redesign pro-health taxes**

- Policy, design & measures

**DIASPORA FINANCE**

**Enhanced diaspora engagement & remittance mobilization for financing the SDGs**

**Diaspora policy & national action plan**

- Gender-sensitive national diaspora policy
- Diaspora policy national action plan

**Diaspora outreach & remittance mobilization**

- Diaspora profiling & mapping survey
- Strategy development

**Diaspora investment Schemes**

- Diaspora financing dashboard
- Diaspora engagement schemes

**CLIMATE FINANCE**

**Financing for climate-related SDGs channelled into sectoral development plans and budgets**

**Climate financing roadmap**

- Roadmap development
- Mapping & consultation
- Institutional capacity assessment

**Menu of climate financing models**

- Financing models

**Scalable climate financing programmes**

- Piloting options
- M&E framework

OUTPUT  
ACTIVITIES

### 2.3 Expected results by outcome and outputs

**Outcome:** Additional financing leveraged to accelerate SDG achievement

**Output 1:** By 2022, a more holistic and integrated system of financing for SDGs established and implemented.

The development and operationalizing of an integrated national financing framework will strengthen government's ability to mobilize public and private financing and investments that will be needed to achieve the SDGs and the SDP.

**Activity Result 1.1.** *A solid multi-sectoral governance and coordination structures to implement the INFF established.* This encompasses development and/or adaptation of cross-government coordination mechanisms. Results to be expected from this output is establishment and/or revival of an Inter-Ministerial Council as an **INFF Oversight Committee** that leads and oversees all INFF initiatives. This Oversight Committee will provide political leadership and drive forward a whole-of-government approach to building and strengthening coherence across financing policies. An **INFF Secretariat** will be created to support the Oversight Committee and a **technical working group** will be established to provide technical support to the INFF Secretariat. UNDP, as the lead technical agency for the INFF support, will be mobilizing its global and regional expertise and provide policy advisory services throughout the process.

**Activity Result 1.2.** *Clearer public-private financing frameworks for prioritizing financing reforms are established and implemented.* As result of this output, and under the leadership of the Oversight Committee, an **integrated financing strategy** will be articulated bringing together the policies, instruments and partnerships used to govern public and private finance. The strategy will articulate how policies will be integrated vertically with the national development plan, as well as how greater lateral integration and alignment will be built across the policies that govern each type of public and private financing. For instance, this will suggest how infrastructure development planning and budgeting will be aligned with efforts aimed at proactively increasing private investments or improving private sector. Such a strategy will outline policy objectives, provide guidance for operations as well as review and align budgets and policies and to the national plan objectives. The financing strategy will serve as a bridge between the SDP and SDGs and short and medium-term financing policies. With regards to private sector financing, the initiative will include dialogues and capacity-building, and facilitate private investment in strategic sectors of the SDP. This would build on ongoing support and activities around how to prepare for and reduce risks, as well as leverage potential opportunities such as the country's accession to ASEAN. More specifically, this coordinated initiative will build on the activities and reforms being realised by MCAE and TITL: (i) Enhance coordination and efficiency of efforts among ministries and agencies responsible for different aspects of business environment and investment promotion; (ii) Actively promote investments in priority industries with a comprehensive package of activities including bankable and investible project pipelines, creating SDG-based targeted incentives, investment forums and international marketing, introducing pilot social impact investments with development partners; (iii) Strengthen coordination and targeted policies regarding measures to strengthen SDG-related impact of investment (e.g. skills development to boost employment in priority industries), mitigate the risks (e.g. environmental protection) and (iv) incorporate gender into the implementation and monitoring of investment policy and promotion programs.

In order to establish a clearer strategic framework for prioritizing financing reforms, an **INFF assessment** will be conducted involving analysis and dialogues around the INFF

building blocks with key government stakeholders, including the private sector, development partners, and the civil society. A key step of the assessment is to collate existing information, policy analysis and recommendations from other actors, including for example, recent review and progress of the government along the implementation of Budgetary Governance Roadmap developed by the OECD, the PEFA and Public Expenditure Review (PER) of the WB, IMF's plan to conduct an SDG costing and other efforts which can inform the development of INFF Roadmap. The **INFF Roadmap** will articulate the subsequent steps to be taken to set-up or bring together an INFF in support of the SDP. Throughout this process, an important aspect that will be considered is participation of non-state actors.

**Activity Result 1.3.** *Enhanced mechanisms to monitor impact of public-private financing on the SDGs and stronger INFF oversight.* An effective monitoring, review and oversight framework is a critical dimension of an integrated approach to financing sustainable development. This will involve review and strengthening of frameworks currently used to monitor impact of the public and private financing on the SDGs, as well explore the potential to establish a *private sector reporting mechanism* that can deepen the understanding of private sector development and its relation to the SDP/SDG outcomes, and facilitate deeper dialogues between the government and the private sector.

Enhanced private sector reporting and sharing of information will be conducive to more effective public-private dialogue and can help businesses better communicate with the government the contributions they make and the challenges they face. It can inform more targeted, nuanced policy toward private finance and more targeted interventions that mitigate the risks of sustainable private sector development. Other countries in the region, such as Papua New Guinea and the Philippines, have developed mechanisms for voluntary reporting that may provide a model that could be adapted to the Timorese context. These have helped businesses to engage with key government policies and have typically been led by a Chamber of Commerce, business networks or Business Councils (institutions similar to CCI-TL), often with the support of development partners.

**Output 2: By 2022, Timor-Leste will have enhanced domestic resources to finance health investments.**

**Activity Result 2.1.** Conduct analysis to increase understanding of the social, economic and health rationale of pro-health taxes and the existing tax regime. This encompasses a range of analytical inputs to inform the development of pro-health taxes including sex and age disaggregated data. It would begin with a comprehensive social, economic and health rationale of pro-health taxes in Timor-Leste. Along with this, the composition and effectiveness of the existing tax regime. Assessments will focus on identification of any taxes that could be classified as pro-health taxes and examination of different types of taxes (income tax, sales tax, excise duties, import duties, etc.). This will be complemented by an exercise to identify tax laws or any other regulation that stipulate or provide enabling or constraining environment for the imposition of pro-health taxes or channelling such resources for a particular objective. This analysis could also provide a snapshot of what enabling provisions exist in health policies or legislation around products harmful to health.

The next phase of the analytical work will focus on diagnostic of viable pro-health taxes, their revenue potential, potential socio-economic impact and the likely gains on the health outcomes and sustainable health financing framework. This may require scenario building and modelling that looks at i) the benefit that a tax will have on health of the population by reduced consumption, ii) additional revenues, iii) value addition to health service delivery,

among others. These actions would entail robust analytical work in close collaboration with the relevant government and non-government entities.

**Activity Result 2.2** Appropriate pro-health taxation measures identified and prioritized through extensive stakeholder involvement. Extensive stakeholder engagement and consultation is at the heart of this initiative. Relevant Ministries (Ministry of Health and Ministry of Finance) will be engaged in the entire architecture of this initiative. Consultations with other government Ministries and agencies, Parliamentary committees, non-government sector, civil society, private sector, industries, communities and development partners will focus on building consensus about the need for and benefits of pro-health taxes as well as the different options for taxation, taxation processes, earmarking and other associated details. Government, non-government and CSO stakeholders involved in protection of women and girls and vulnerable socio-economic groups will also partake in the consultations. A policy options paper will be used to facilitate discussions and decisions.

**Activity Result 2.3** Pro-health taxation measures designed and recommended to the government. Based on the analytical work, assessments on different types of viable pro-health taxes and stakeholder consultations, pro-health taxes will be designed. This will include recommendations (following consensus among key government agencies) for legal and procedural changes in tax laws, tax rate schedule and other associated details like coverage, exemptions, earmarking and tax resource utilisation. The design of the pro-health tax would be gender-sensitive and ensure that the impact and implications are distributed equally between socially economic groups. The policy document will also have an implementation plan which includes steps towards implementation, building awareness on the redesigned taxes to tax officials, business units and the general population. A monitoring and evaluation framework will be established to track the resources generated and the impact of these taxes.

**Output 3: By 2022, gender responsive and systematic reform to engage diaspora for financing towards sustainable development created.**

This action relates to assisting the Government of Timor-Leste to leverage on diaspora dialogues and engagement in order to amplify the participation of the Timorese diaspora in financing for the SDGs to achieve sustainable local and national development. As part of this action the Government will adopt a gender-inclusive National Diaspora Policy as well as a Diaspora National Action Plan, which will operationalize the Diaspora Policy. Furthermore, the Government will have a comprehensive, empirical and accurate knowledge of the Timorese diaspora constituency in terms of size, spatial distribution, skills profile as well as their willingness and expectations to contribute to SDG financing through diaspora mapping and profiling. A Diaspora Engagement and Remittances Mobilisation Strategy will be put in place to facilitate evidence-based programming. Moreover, IOM will support the Government to research and document initiatives such as the issuance of diaspora bonds to raise finance for the SDGs and promote climate smart investments which contribute to achieving SDGs, for example through encouraging diasporas to invest in climate-resilient infrastructure/housing or more climate-proof crops and agriculture.

**Activity Result 3.1** *Gender-inclusive Diaspora Policy and Diaspora National Action Plan that promotes sustainable development is made available.* Formulation and finalization of National Diaspora Policy. This includes facilitating the launching of the policy. The action will support a National Consultative Workshops on the National Diaspora Policy, and a National Validation Workshops, as well as the development Diaspora National Action Plan that will outline concrete initiatives, programmes or projects, timelines, resource requirements and responsible stakeholders to take a lead in the implementation of the policy framework. A launch event will also be supported for each of the finalised policy documents. A multi-

stakeholder approach is envisaged to create the gender-inclusive plan and will include Government, non-government organizations, private sector and CSOs.

**Activity Result 3.2** *An inclusive environment for engagement that empowers diaspora communities and mobilizes financing for sustainable development is available.* The action will support a Diaspora Profiling and Mapping Survey in two interrelated parts: the first part of the research will focus on the Timorese diaspora in general while the second part will focus on the mapping of Timorese diaspora associations. The first part of the research seeks to get information on the demographic and skills profile of the Timorese diaspora. This research will provide primary data on the experiences and needs of members of the diaspora, their qualifications, work history, and labour market participation; including current employment and training status, experiences of training, education, and aspirations for employment and training, among others. Further, it seeks information on their willingness to contribute to SDG financing. The research, among others, will target semi-skilled and skilled Timorese nationals living in the diaspora including those in the United Kingdom, Australia and the Republic of Korea.

The second part of the research on the Timorese diaspora will include a mapping exercise on Timorese social and professional networks or associations within the diaspora. Through this survey, diaspora associations will be identified and sustained outreach and confidence-building measures will be implemented during the mapping exercise to build trust and a long-term rapport for subsequent engagement processes.

This action will also include the development of a Diaspora Engagement and Remittances Mobilization Strategy that mainstreams gender in order to facilitate a systematic and coordinated diaspora engagement process, the action will support a workshop to develop a Diaspora Engagement and Remittances Mobilization Strategy that details the implementation steps of the priorities outlined in the National Diaspora Policy. The mobilization strategy will be critical to the success of the Government's efforts towards the engagement process.

**Activity Result 3.3** *The Government of Timor-Leste has the capacity to mobilize diaspora contributions into national development priorities including through transfer of remittances.* In order to foster community resilience and sustainable development through enhancing the impact of diaspora financial remittances for financing the SDGs, the action will build on the diaspora profiling and engagement activities by supporting local authorities to engage with diaspora associations in leveraging diaspora financial remittances into national and community-level socio-economic development. This entails piloting participatory planning between local authorities and diaspora associations for mobilising resources for the SDGs through a diaspora engagement scheme and adopting a learning-by-doing approach, building on international best practices, to support the Ministry of Finance to develop a Diaspora financing dashboard for SDGs in Timor-Leste. The action will also support consultative seminars on Diaspora Financing for the SDGs. With the rising importance of Timor-Leste's Diaspora, securitization of remittances from Timor-Leste's Diaspora provides another valuable source of development finance essentially as long-term funding through mobilisation of diaspora financial remittances for financing SDG priorities and climate smart solutions for community-level and national socio-economic development programmes.

**Output 4: By 2022, financing for climate related SDGs is integrated into sectoral development plans and budget processes.**

The purpose of the JP is to explore viabilities of modern climate financial instruments in the context of Timor-Leste and to propose a Menu of Options for blended climate finance



framework to generate and leverage a pipeline of bankable green projects. The outcome will contribute to a positive shift in the Timor-Leste economy's transition to sustainability through the financing and public policies that support climate-resilient initiatives. The current task implies internalization of negative climate externalities to encourage investments that provide environmental benefits.

The JP will look for opportunities to invest into transformational and innovative climate projects that are in line with the national climate adaptation and mitigation policies. The transformational aspects of the initiative will focus on paradigm shift over the current climate investment (business as usual) and are necessary for Timor-Leste to meet its commitments outlined in the Nationally Determined Contributions (NDC) to the Paris Agreement and priorities set out in the draft National Climate Change Policy. Timor-Leste ratified the Paris Agreement on 16 August 2017. To achieve this the following tasks will be pursued: (i) assessment of the capacity of various stakeholders and financial channels to prepare a Roadmap for accelerating SDGs financing; (ii) conceptualization of scalable climate finance mechanisms to channel investment into sectoral development plans and development of bankable green programs to support Timor-Leste climate-resilient development pathways; (iii) piloting most innovative and scalable climate financing programs demonstrate how the leverage of blended finance from public and private resources may be used to for SDGs implementation – best practices and key lessons will be documented to support scale-up.

**Activity Result 4.1.** *Capacity assessment conducted and Road Map prepared to integrate climate financing into sectoral development plans and budget processes to accelerate SDG implementation.* Among anticipated activities are: (i) development of the Road Map outlining priority areas to accelerate climate financing for SDGs, and detail mapping of actions to be pursued; (ii) institutional capacity assessment and mapping of stakeholders to integrate climate financing into sectoral and/or sub-sectoral plans to accelerate SDGs implementation; (iii) strengthening M&E system to track and prioritize financing for lagging climate related targets under SDG 13, 14, 15 and pathways to mobilize and channel resources to the most vulnerable sectors and communities. Government, non-government organizations and CSOs focusing on addressing gender inequality will be involved in policy formulation, planning and decision making. This will capture the perspective of women and girls, i.e. those who are the most vulnerable to climate change. Gender-disaggregated data collection will be used in the formulation of the sectoral strategy and action plans.

**Activity Result 4.2.** *Scalable sectoral climate financing mechanisms to channel investments into sectoral development plans to achieve SDG targets (related to climate, biodiversity and forests) are conceptualized and bankable programs to support Timor-Leste climate-resilient development pathways are defined.* This output will support the consultation to conceptualize feasible investment models, mapping of potential donors and establishing the framework to support climate-resilient development pathways. It also entails the formulation of financial mechanisms and instruments to support the investments models that are proposed. Among the activities envisaged under the output 4.2 are (i) blueprinting of scalable sectoral climate financing mechanisms to channel investments into sectoral development plans to achieve SDGs targets (related to climate, biodiversity and forests); (ii) defining bankable programs to support TL climate-resilient development pathways; (iii) testing and taking innovative climate financing mechanisms and instruments to scale; (iv) initiating consultations to conceptualize feasible investment models, mapping of potential donors and establishing the framework to support climate-resilient development pathways.

**Activity Result 4.3.** *Innovative and scalable climate financing programs developed and piloted to leverage public and private sector resources into SDG implementation.* This includes developing at least one of the financing models into a program that is piloted and monitored. This will provide the opportunity to monitor the implementation and to document best practices and lessons learned to support replicability and scale-up.

## 2.4 Budget and value for money

Although the Government of Timor-Leste has significant resources available in the short and medium term (US \$17.4 billion in the Petroleum fund as of June 2019), wider forms of financing, particularly private sector finance, remain very small (6 percent 2016). Public finance dominates the country's current financing landscape with petroleum revenues, tax, and non-taxes together accounting for more than 70percent of total financing in Timor-Leste. However, this primary petroleum-dominant income will gradually decline as the oil production from the existing field in operation (Bayu-Undan) is expected to cease in early 2022. As Timor-Leste's economy grows and it 'graduates' from LDC status or LMIC status (as it aims to by 2030), it will become ineligible for many international financing instruments that are currently active in the country.

An investment in the *INFF Initiative* will help Timor-Leste unlock a variety of financing options already available on global markets as the private sector and major investment companies and fund managers (eg. Black Rock, numerous insurance, technology, agriculture, service companies) shift towards SDG-based, impact-driven 'green' and socially responsible investments. Timor-Leste's petroleum fund stands to significantly benefit from INFF exercise in terms of adopting more sustainable investment strategies. The INFF's value for money lies in unlocking additional domestic resources for sustainable and resilient development by helping understand the capital flows in and out of the country, developing additional mechanisms to reduce capital flights, and developing greater incentives for effective and efficient domestic resource allocation for priority sectors such as education and health. The greater integration between the *private and public financing* will help create enabling environment for public private partnerships (PPP) to diversify the economic base in key industries (eco-tourism, green businesses, small scale manufacturing, agriculture).

## 2.5 Partnerships and stakeholder engagement

The Government of Timor-Leste will play a central role throughout the planning, coordination and implementation of the JP. For the first tier of the programme strategy, the government will have both the leadership and ownership over the establishment and implementation of INFF in Timor-Leste. This was first demonstrated in its leadership and ownership over this process starting from the 2018 when the Ministry of Finance commissioned the DFA which marked the beginning of the INFF Inception phase. With the Inter-Ministerial Council to serve as the INFF Oversight Committee, the Government will continue to lead the process of setting up and operationalizing an INFF in Timor-Leste. It will provide substantive guidance, convene stakeholders and guide the implementation of the INFF Roadmap and other INFF reform initiatives, including the establishment of an Integrated financing strategy.

As the INFF oversight, the Government of Timor-Leste will provide political leadership and drive forward a whole-of-government approach to building coherence across financing policies. It will have delegated authority and responsibility to lead the INFF process, and ultimately to shape public and private finance policy. The Government will provide substantive guidance, convene stakeholders, lead the development of key outputs (e.g. a

financing strategy) and determine and champion the activities that will be taken within the process.

Supporting the Oversight Committee is an INFF Secretariat that consists of key decision-makers from the Ministry of Finance, UPMA, MCAE, MPSI and other ministries playing a central role to INFF. The INFF's Secretariat will lead on planning, co-ordination and monitoring of INFF to ensure the Inter-Ministerial Council is kept aware of emerging policy priorities in relation to the INFF. Thus, the entire INFF process will be coordinated, led, and owned by the Government of Timor-Leste.

The INFFF will be developed in Timor-Leste in close partnership with the EU Delegation and the UN RC. The EU is leading the PFMO/PEFA work, together with the World Bank, and recognizes the additional value of having an INFF architecture to converge all existing work and bring together public and private financing options. In addition, there's a strong need to translate the broader reforms into concrete, medium-term budgeting/expenditure frameworks. This INFF will help the Government to integrate the SDG-investments and SDG impacts assessment in new MTEFs/medium-term monitoring frameworks of the Government. Recognizing that the financing of the medium- and long-term development objectives will require a wide range of actors, the development of a new Medium-Term Planning Framework by UPMA and establishment of a Medium-Term Budgeting Framework currently led by the Ministry of Finance are considered as key policy cycles and frameworks. They could bring together public and private finance at the aggregate level. The development of Mid-Term Sectoral Planning, which envisages the standardization of the process of developing and costing medium-term sectoral and sub-sectoral plans and budgeting, including policies, tools and processes, sources of financing and funding gaps, are seen as key entry points for the establishment of an Integrated financing strategy and operationalization of an INFF in Timor-Leste.

There's also a broad commitment to rollout this work from development partners such as the WB, IFC, ADB to strengthen public-private financing schemes. The INFF paves the way to strengthen partnerships with the existing private sector (e. g. Air Timor and other airlines, hotels and resorts, construction sector, Small and Medium Enterprises (SMEs), etc.) to initiate a dialogue on SDG-impact investments. To promote participation and build trust between the government and domestic and international private sector representatives, the JP will establish systematic platforms/forums that will enable regular communication or dialogue with the private sector and civil society to strengthen coordination and trust between all the stakeholders.

**PUNOs** will have a pivotal role to play and contribute to the JP. For instance, the integrated financing strategy to be developed as part of the INFF will encompass, among other things, development and implementation of priority reform areas such as enhanced domestic resources to finance health-related investments which will be implemented by the WHO; improved platforms for dialogues and schemes through which Timorese diaspora can contribute to financing for the SDGs which will be implemented by IOM; as well as harnessing the country's untapped potential economic sector for green jobs and growth, creating equal opportunities for women, to be implemented by UNDP. In each of these initiatives, participating agencies will work closely with the government stakeholders in planning and implementation of the reform priority areas identified.

The Ministry of Health and Ministry of Finance will be engaged in the entire architecture of the initiative on pro-health taxes. The Government will lead the process as part of implementation of the Multisectoral Action Plan for prevention and control of noncommunicable diseases 2018-2021 and the Health Financing Strategy 2019-2024. UN partners will provide the required technical support to the process Regular communication

and dialogue will bring together partners and stakeholders to build consensus and agree on the identified options and implementation framework.

On diaspora engagement, the Ministry of Finance and Ministry of Foreign Affairs and Cooperation, with support from IOM will be responsible for the leading the Sector Policy Review Committee and coordination of proposed activities. The Office of the Prime Minister and SEPFOPE will co-lead coordination. It is expected that members of the Sector Policy Review Committee and technical partners, CSOs, the Timorese Diaspora in its different formations, Timorese Embassies and the Private Sector will actively be engaged in dialogue for the development new policy interventions which aim to create enabling conditions for diaspora to contribute to sustainable development.

The State Secretary of Environment, with support of UNDP and other partners will formulate the principles and concept of green financial framework and will improve the roles of financial services institutions in environmental protection and management by developing sustainable financial services. Particularly, it is expected that the Government will start working on harmonization of financial services with environmental policy and will participate in a feasibility study to draft a policy concept for sustainable finance as well as initiate development of environmental competency in the financial services sector.

The proposed JP is firmly positioned within the overall joint UNCT support to SDG acceleration and to convening of multi-stakeholder platforms to explore innovative solutions and financing options to address Timor-Leste's sustainable development priorities, including through public-private partnership with social impact investors. This work will complement the Least Developed Country (LDC) graduation support to Timor-Leste being provided by UN DESA.

### 3. Programme implementation

#### 3.1 Governance and implementation arrangements (max 3 pages)

All activities of the JP will be implemented in close coordination with the Government of Timor-Leste. The *first tier* of the JP- will be implemented under the leadership and oversight of the Oversight Committee. Coordination and planning of the INFF activities will be led by the INFF Secretariat with technical support from the UNDP and the EU. This strategy is to ensure that the Government not only can absorb the establishment and implementation of INFF in Timor-Leste, but also have the ownership over the entire process of INFF. As such, the Government of Timor-Leste will be able to sustain the INFF initiatives beyond the life of the JP, as opposed to being led by the UN or other development partners. This strategy also responds to the Government request during the pre-scoping consultations, that the establishment and implementation of INFF are housed within and led by the Government of Timor-Leste- a similar process used in the DFA commissioned by and embedded within the Ministry of Finance.

The Oversight Committee will oversee, coordinate and align Government's approach toward financing across a wide spectrum of public and private finance policy areas. It will lead the process of operationalizing an INFF in Timor-Leste by providing substantive guidance, convening stakeholders and guide the implementation of the INFF Roadmap and other INFF reform initiatives, including the establishment of an integrated financing strategy.

A preliminary agreement has been reached with the PMO that the current Inter-Ministerial Council take on the mandate as the INFF oversight, in parallel with oversight of all initiatives on public finance management (PFM). Governance and coordination mechanisms of the Inception phase of INFF will continue to be fulfilled by the national DFA Oversight Team.

The INFF Oversight Committee will, however, require technical support. Thus, the INFF Secretariat will support the Inter-Ministerial Council whose membership is outlined in Section 1.3. The INFF Secretariat will lead on planning, co-ordination and monitoring of INFF to ensure the Inter-Ministerial Council is kept aware of emerging policy priorities.

The JP will operate at the INFF Secretariat level through provision of technical assistance co-ordinated by the UNDP and the EU under the strategic leadership and guidance of the Resident Coordination Office (RCO). This will ensure that the establishment and implementation of the INFF is integrated and embedded within the Government of Timor-Leste. A national INFF Coordinator will be embedded within the Ministry and/or the PMO (e.g. within UPMA) which will house the INFF Secretariat. The key role of the INFF Coordinator will be to provide day-day planning and coordination support to the INFF Secretariat including the Oversight Committee, as necessary. The INFF Coordinator will have the support of a national Development Finance Specialist based in UNDP to coordinate and produce INFF technical outputs together with international INFF specialists who will be engaged on a needs basis throughout the JP. The Development Finance Specialist will lead all the INFF technical engagements and will integrate and coordinate with key stakeholders throughout the operationalization of the INFF. The Development Finance Specialist will also lead cross sectoral dialogues once such a platform is established.

Reports on the progress made towards the JP will be produced by the Development Finance Specialist with additional inputs from the INFF Coordinator, while highly technical reports (i.e. integrated finance strategy, INFF Roadmap, etc.) will be produced by international INFF experts. PUNOs will produce progress reports individually and send to the Development Finance Specialist for compilation. Upon the review by the UNDP and EU management, these reports will then be submitted to the RCO for final review and submission to the UN Headquarters.

The *second tier* of the JP focuses on the implementation of priority reform areas, and these too will be undertaken in close coordination and consultation with the Government of Timor-Leste and the RCO.

WHO will provide technical assistance (research, policy dialogue and advocacy) on pro-health taxes liaising closely with the Ministry of Health and Ministry of Finance. A local consultant will be recruited to coordinate the process of engagement and manage joint engagement platforms and dialogues. International subject experts will provide technical inputs on specific aspects of the initiative through close engagement with the Government, partners and stakeholders.

For diaspora financing a key leadership role will be assigned to the Ministry of Finance and the Ministry of Foreign Affairs and Cooperation. The principal responsibilities of the leadership will include overall coordination, regular monitoring and reviewing of the implementation of activities. In addition, the Sector Policy Review Committee (SPRC) will provide overall policy advice, supervision and coordination to the migration sector and project. IOM will be the Programme Management Unit (PMU) coordinating the implementation of the action, with the provision of overall strategic guidance and technical support from the IOM Regional Office and Headquarters.

UNDP will use direct implementation modality to deliver Climate Finance activities within the JP to ensure speedy delivery and decision making. Administrative and operational management and costs will be supported by the UNDP Country Office, with the designated personnel from the Sustainable Development Unit to be responsible for direct project

management. International and local technical expertise will be summoned to help the Government to develop an integrated climate financing road map, salable climate financing mechanisms, and pilot innovative programs. The piloting of selected interventions will be supported through grant allocation and implemented in collaboration with relevant partners.

### 3.2 Monitoring, reporting, and evaluation

A JP monitoring mechanism will be established in order to oversee the implementation progress of the JP, with UNDP as the technical lead. As indicated in the result matrix each agency will be responsible for the monitoring of their respective components, while the overall JP progress will be supervised through the established JP monitoring mechanism. Besides the PUNO agencies, the monitoring mechanism will engage other responsible parties including the Government of Timor-Leste.

Reporting on the Joint SDG Fund will be results-oriented, and evidence based. Each PUNO will provide the Convening/Lead Agent with the following narrative reports prepared in accordance with instructions and templates developed by the Joint SDG Fund Secretariat:

- *Annual narrative progress reports*, to be provided no later than one (1) month (31 January) after the end of the calendar year, and must include the result matrix, updated risk log, and anticipated expenditures and results for the next 12-month funding period;
- *Mid-term progress review report* to be submitted halfway through the implementation of JP<sup>4</sup>; and
- *Final consolidated narrative report*, after the completion of the JP, to be provided no later than two (2) months after the operational closure of the activities of the JP.

The Convening/Lead Agent will compile the narrative reports of PUNOs and submit a consolidated report to the Joint SDG Fund Secretariat, through the UN Resident Coordinator.

The Resident Coordinator will monitor the implementation of the JP, with the involvement of Joint SDG Fund Secretariat to which it must submit data and information when requested. As a minimum, JP will prepare, and submit to the Joint SDG Fund Secretariat, 6-month monitoring updates. Additional insights (such as policy papers, value for money analysis, case studies, infographics, blogs) might need to be provided, per request of the Joint SDG Fund Secretariat. The JP will allocate resources for monitoring and evaluation in the budget.

Data for all indicators of the results framework will be shared with the Fund Secretariat on a regular basis, in order to allow the Fund Secretariat to aggregate results at the global level and integrate findings into reporting on progress of the Joint SDG Fund.

PUNOs will be required to include information on complementary funding received from other sources (both UN cost sharing, and external sources of funding) for the activities supported by the Fund, including in kind contributions and/or South-South Cooperation initiatives, in the reporting done throughout the year.

PUNOs at Headquarters level shall provide the Administrative Agent with the following statements and reports prepared in accordance with its accounting and reporting procedures, consolidate the financial reports, as follows:

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<sup>4</sup> This will be the basis for release of funding for the second year of implementation.

- Annual financial reports as of 31st December each year with respect to the funds disbursed to it from the Joint SDG Fund Account, to be provided no later than four months after the end of the applicable reporting period; and
- A final financial report, after the completion of the activities financed by the Joint SDG Fund and including the final year of the activities, to be provided no later than 30 April of the year following the operational closing of the project activities.

In addition, regular updates on financial delivery might need to be provided, per request of the Fund Secretariat.

After competition of the JP, a final, *independent and gender-responsive*<sup>5</sup> evaluation will be organized by the Resident Coordinator. The cost needs to be budgeted, and in case there are no remaining funds at the end of the JP, it will be the responsibility of PUNOs to pay for the final, independent evaluation from their own resources.

The JP will be subjected to a joint final independent evaluation. It will be managed jointly by PUNOs as per established process for independent evaluations, including the use of a joint evaluation steering group and dedicated evaluation managers not involved in the implementation of the JP. The evaluations will follow the United Nations Evaluation Group's (UNEG) Norms and Standards for Evaluation in the UN System, using the guidance on Joint Evaluation and relevant UNDG guidance on evaluations. The management and implementation of the joint evaluation will have due regard to the evaluation policies of PUNOs to ensure the requirements of those policies are met and the evaluation is conducted with use of appropriate guidance from PUNOs on joint evaluation. The evaluation process will be participative and will involve all relevant programme's stakeholders and partners. Evaluation results will be disseminated amongst government, development partners, civil society, and other stakeholders. A joint management response will be produced upon completion of the evaluation process and made publicly available on the evaluation platforms or similar of PUNOs.

### **3.3 Accountability, financial management, and public disclosure**

The JP will be using a pass-through fund management modality where UNDP Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channeled for the JP through the AA. Each Participating UN Organization receiving funds through the pass-through has signed a standard Memorandum of Understanding with the AA.

Each Participating UN Organization (PUNO) shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent of the Joint SDG Fund (Multi-Partner Trust Fund Office). Such funds will be administered by each UN Agency, Fund, and Programme in accordance with its own regulations, rules, directives and procedures. Each PUNO shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Indirect costs of the Participating Organizations recovered through programme support costs will be 7%. All other costs incurred by each PUNO in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs.

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<sup>5</sup> [How to manage a gender responsive evaluation, Evaluation handbook](#), UN Women, 2015

Funding by the Joint SDG Fund will be provided on annual basis, upon successful performance of the JP.

Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the Joint SDG Fund.

PUNOs and partners must comply with Joint SDG Fund brand guidelines, which includes information on donor visibility requirements.

Each PUNO will take appropriate measures to publicize the Joint SDG Fund and give due credit to the other PUNOs. All related publicity material, official notices, reports and publications, provided to the press or Fund beneficiaries, will acknowledge the role of the host Government, donors, PUNOs, the Administrative Agent, and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of each Participating Organization and partners in all external communications related to the Joint SDG Fund.

### **3.4 Legal context**

Agency name: United Nations Development Programme (UNDP) Timor-Leste  
Agreement title: Standard Basic Assistance Agreement (SBAA)  
Agreement date: 20 May 2002

Agency name: World Health Organization (WHO) Timor-Leste  
Agreement title: Basic Agreement between the WHO and the Government for establishment of technical advisory cooperation relations  
Agreement date: May 2002

Agency name: International Organization for Migration (IOM) Timor-Leste  
Agreement title: Cooperation Agreement between the International Organization for Migration and the Government of the Democratic Republic of East Timor  
Agreement date: 20 May 2002



## D. ANNEXES

Figure 1.

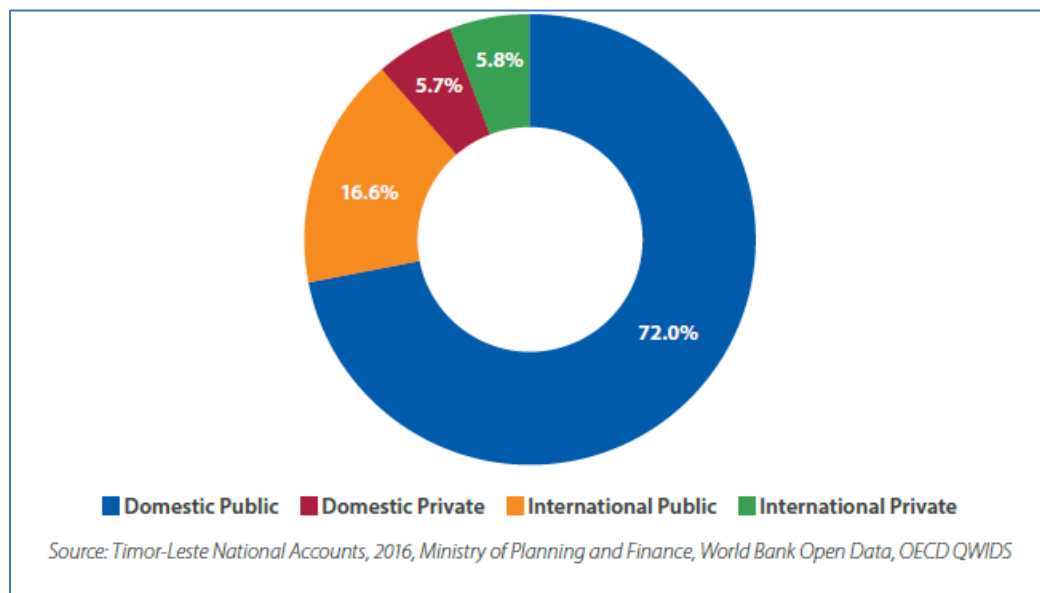


Figure 1: Timor-Leste's current development finance landscape. Source: DFA Report

### Annex 1. List of related initiatives

Name of initiative/project	Key expected results	Links to the JP	Lead organization	Other partners	Budget and funding source	Contract person (name and email)
Gender responsive planning and budgeting	National Action Plan against gender-based violence	NAP itself, the partners involved (government and the civil society), consultations and	UN WOMEN		UN WOMEN	Sunita Caminha Email: <a href="mailto:Sunita.Caminha@unwom">Sunita.Caminha@unwom</a>

		advocacy, including policy options and recommendation guidance				<a href="mailto:en.rog@unwomen.org">en.rog@unwomen.org</a> Camille Wauters <a href="mailto:Camille.Wauters@unwomen.org">Camille.Wauters@unwomen.org</a>
National investment case for prevention and control of noncommunicable diseases (NCD)	Investment case report	The ongoing investment case study, with its estimates on economic impact, ROI and cost-benefit analyses on NCDs, will provide the evidence platform and inform policy dialogue to move forward the initiative on pro-health taxes	WHO	UNDP	WHO	Dr. Rajesh Pandav Email: <a href="mailto:pandavr@who.int">pandavr@who.int</a> Jayendra Sharma Email: <a href="mailto:jsharma@who.int">jsharma@who.int</a>
Migration Profile: Timor-Leste	Development of Timor-Leste's first Migration Profile; Diaspora Study and Domestic Study, as well as strengthened stakeholder national programming, planning and policymaking through improved collection and management of migration information and	Improved quality, availability and understanding of migration data and trends will contribute to national capacities to develop diaspora policies and strategies, mobilize remittances, map diaspora populations and implement pilot schemes.	IOM	Government of Timor-Leste – Office of the Prime Minister, Ministry of Foreign Affairs and Ministry of Justice	IOM Development Fund \$200,000	Wonesai Sithole <a href="mailto:wsithole@iom.int">wsithole@iom.int</a>

	data					
Migration Governance Indicators	Migration Governance Indicators Report, and strengthened stakeholder programming, planning and policymaking for migration governance.	Improved quality, availability and understanding of migration governance will contribute to national capacities to develop diaspora policies and strategies, mobilize remittances, map diaspora populations and implement pilot schemes.	IOM and the Economist Intelligence Unit	Government of Timor-Leste – Office of the Prime Minister, Ministry of Foreign Affairs and Ministry of Justice	IOM \$10,000	Wonesai Sithole <a href="mailto:wsithole@iom.int">wsithole@iom.int</a>
Diaspora Engagement in the Era of Digitalization (DEED)	Development of the IDiaspora.org platform to strengthen stakeholder ability to leverage digitalized resources to inform evidence-based policy, programme development and implementation on diaspora engagement, as well as mobilize diaspora as development actors.	National capacities for improved diaspora engagement and remittance mobilization through use IDiaspora.org platform for SDG financing and effective utilization of information technology and digitalized resources for policy and strategy development.	IOM	Government of Timor-Leste	IOM Development Fund \$300,000	Wonesai Sithole <a href="mailto:wsithole@iom.int">wsithole@iom.int</a>
The Road To	Labour Migration	National capacities	IOM	SEPFOPE,	IOM	Wonesai

<p>ASEAN: Strengthening Labour Migration Management In Timor Leste</p>	<p>National Action Plan</p>	<p>to develop the Diaspora Policy, Diaspora National Action Plan, and Remittance Mobilization Strategy.</p>		<p>International Labour Organization (ILO), United Nations Office Of The High Commissioner For Human Rights (OHCHR)</p>	<p>Development Fund \$200,000</p>	<p>Sithole <a href="mailto:wsithole@iom.int">wsithole@iom.int</a></p>
<p>Strengthening Institutional Capacity for Disaster Risk Reduction and Management in Timor-Leste</p>	<p>Enhanced Institutional Capacity at national and municipal level for Disaster Risk Reduction and Climate Change Adaptation, and revised DRR Resilient Housing Construction Guidelines.</p>	<p>National capacities for improved financing for climate action through diaspora investment in disaster risk reduction, climate change adaptation, mitigation and resilience initiatives including climate resilient infrastructure.</p>	<p>IOM</p>	<p>Ministry of Interior</p>	<p>USAID \$1.4 million</p>	<p>Wonesai Sithole <a href="mailto:wsithole@iom.int">wsithole@iom.int</a></p>
<p>Strengthening targeted national capacities to improve decision-making and mainstreaming global environmental obligations into national development priorities (CCCD</p>	<p>Enhanced institutional and technical capacities to use data and information. Enhanced institutional capacities for cost-effective, collaborative, and coordinated</p>	<p>National capacities to build climate-resilient economy, national and sectoral plans related to climate change adaption, mitigation and resilience</p>	<p>UNDP</p>	<p>Ministry of Economic Affairs, State Secretariat of Environment, Ministry of Agriculture and Fishery, GCF, GEF.</p>	<p>CCCD – \$1.65 million  Sources: GEF, Go-t of TL, UNDP</p>	<p>Tuya Altangerel, Email: <a href="mailto:Tuya.Altangerel@undp.org">Tuya.Altangerel@undp.org</a></p>

Project)	management of global environmental issues; Enhanced capacity to develop and implement integrated policies, plans and program.					
Safeguarding rural communities and their physical and economic assets from climate induced disasters (GCF Project)	Climate risk information integrated into policies, regulations and mainstreamed into municipal planning and budgeting processes. Climate risk reduction and strengthen resilience of physical infrastructural assets in six priority municipalities.	Support the achievement of set target under SDG 13 & 15. National capacities to build climate-resilient economy, national and sectoral plans related to climate change adaption, mitigation and resilience	UNDP	Ministry of State Administration (MSA); Ministry of Agriculture and Fisheries (MAF) and Ministry of Economic Affairs – Secretary of State for Environment (SEA); Ministry of Public Works (MoPW); Ministry of Social Solidarity and Inclusion (MSSI) and Municipal Authority Baucau & Ermera and Municipalities	US \$ 59.443 million  Sources: Green Climate Fund– GCF (22.4 million), Gov- t of TL (36.687 million), UNDP (0.4 million)	Tuya Altangerel, Email: <a href="mailto:Tuya.Altangerel@undp.org">Tuya.Altangerel@undp.org</a>

				(Aileu, Viqueque, Lautem and Liquica Municipalities)		
Arafura Timor Seas Ecosystem Action (ATSEA-II)	Sustainable development of the Arafura-Timor Seas (ATS) to protect biodiversity and improve the quality of life of its inhabitants through conservation and sustainable management of marine-coastal ecosystems	National capacities to build climate-resilient economy, national and sectoral plans related to climate change adaption, mitigation and resilience	UNDP	Ministry of Economic Affairs, State Secretariat of Environment, Ministry of Agriculture and Fisheries, GCF, GEF.	ATSEA – \$2.12 million  Sources: GEF, Govt of TL, UNDP	Tuya Altangerel, Email: <a href="mailto:Tuya.Altangerel@undp.org">Tuya.Altangerel@undp.org</a>
Building Shoreline Resilience of Timor-Leste to Protect Local Communities and their Livelihoods	Strengthen resilience of coastal communities through nature-based approaches to coastal protection – 2,300 hectares of mangroves conserved, diversified livelihood and social business for 1,000 households in 7 municipalities	Strengthen capacities to integrate climate change adaptation and mitigation into sectoral plans and budget processes to achieve SDGs 13, 14 & 15 targets	UNDP	Ministry of Economic Affairs, State Secretariat of Environment, Ministry of Agriculture and Fisheries; Municipal Authority of Dili & Bobonaro; Municipalities (Liquica, Covalima, Viqueque, Manatuto and	GEF – \$7.0 million	Tuya Altangerel, Email: <a href="mailto:Tuya.Altangerel@undp.org">Tuya.Altangerel@undp.org</a>

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## Annex 2. Results Framework

### 2.1. Targets for Joint SDG Fund Results Framework

**Joint SDG Fund Outcome 2:** Additional financing leveraged to accelerate SDG achievement

Indicators	Targets	
	2020	2021
2.1: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scope <sup>6</sup>	TBD	TBD
2.2: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scale <sup>7</sup>	TBD	TBD

*Targets will be developed at later stage due to insufficient evidence at the time the proposal is developed*

**Joint SDG Fund Output 4:** Integrated financing strategies for accelerating SDG progress implemented

Indicators	Targets	
	2020	2021
4.1: #of integrated financing strategies that were tested (disaggregated by % successful / unsuccessful)	0	1 (100%)
4.2: #of integrated financing strategies that have been implemented with partners in lead <sup>8</sup>	0	1
4.3: # of functioning partnership frameworks for integrated financing strategies to accelerate progress on SDGs made operational	0	1

#### Joint SDG Fund Operational Performance Indicators

Level of coherence of UN in implementing programme country<sup>9</sup>

- Reduced transaction costs for the participating UN agencies in interaction with national/regional and local authorities and/or public entities compared to other joint programmes in the country in question
- Annual % of financial delivery
- Joint programme operationally closed within original end date
- Joint programme financially closed 18 months after their operational closure
- Joint programme facilitated engagement with diverse stakeholders (e.g. parliamentarians, civil society, IFIs, bilateral/multilateral actor, private sector)
- Joint programme included addressing inequalities (QCPR) and the principle of “Leaving No One Behind”

<sup>6</sup>Additional resources mobilized for other/ additional sector /s or through new sources/means

<sup>7</sup>Additional resources mobilized for the same multi-sectoral solution.

<sup>8</sup> This will be disaggregated by (1) government/public partners (2) civil society partners and (3) private sector partners

<sup>9</sup> Annual survey will provide qualitative information towards this indicator.

- Joint programme featured gender results at the outcome level
- Joint programme undertook or draw upon relevant human rights analysis, and have developed or implemented a strategy to address human rights issues
- Joint programme planned for and can demonstrate positive results/effects for youth
- Joint programme considered the needs of persons with disabilities
  
- Joint programme made use of risk analysis in programme planning
- Joint programme conducted do-no-harm / due diligence and were designed to take into consideration opportunities in the areas of the environment and climate change

## 2.2. Joint programme Results framework

Result / Indicators	Baseline	Year 1	Year 2	Means of Verification	Responsible partner
<b>Outcome:</b> Additional financing leveraged to accelerate sustainable development achievement					
<b>Outcome indicator 1:</b> Percentage increase of public investments mobilized within SDG-aligned programs and objectives as a proportion of total domestic budget	2020 National budget	2%	5%	State budget books	Government of Timor-Leste
<b>Outcome indicator 2:</b> Percentage increase of ODA and other investments mobilized for sustainable development objectives and initiatives from private sources.	TBD	Stable trends	Increasing trends	INFF progress report and budget books.	Government of Timor-Leste
<b>Output 1.</b> A holistic and integrated system of financing for SDGs is established and implemented					
<b>Output 1 Indicator:</b> Number of new <b>INFF policies and initiatives</b> that contribute to the development and implementation of a more	None	1	2	INFF Roadmap; Integrated Financial Strategy	UNDP and Government of Timor-Leste



holistic and integrated systems of financing					
<b>Output 1 indicator</b> Number of priority reforms implemented on pro-health taxation, diaspora engagement, and climate financing	None	1	2	Priority reforms identified and implemented	IOM, WHO, UNDP, and government of Timor-Leste
<b>Activity 1.1.1</b> Number of meetings INFF financing policy dialogue roundtables among key policy makers and private sector stakeholder led by the Oversight Committee	0	1	2	List of participants; summary notes of issues discussed	UNDP and the INFF Secretariat
<b>Activity 1.1.2</b> An integrated financial strategy is articulated bringing together policies, instruments, and partnerships used to govern public & private finance.	None	1	0	Documents (reports, briefs, analysis, etc.) on the strategy developed	UNDP and the Government of Timor-Leste
<b>Activity 1.1.3</b> Number of meetings held by the Technical Working Group	None	3	3	Meeting agenda, meeting minutes/ppt	UND and the Government of Timor-Leste
<b>Activity 1.2.1</b> An INFF Roadmap articulating subsequent steps that to be undertaken to fully operationalize the developed, agreed to and adopted by the Oversight Committee.	None	1	1	An INFF roadmap completed and presented to the Oversight Committee; the roadmap is launched by the Oversight Committee	UNDP and Government of Timor-Leste.
<b>Activity 1.2.2</b> Number of dialogues held	None	3	6	Meeting agenda, notes/reports from	UNDP, the EU, Government of

with <b>multi-stakeholders</b> (private sector, CSOs and academia, etc) is established				meetings/dialogues held with the Secretariat, list of participants.	Timor-Leste
<b>Activity 1.3.1</b> Effective measurement and monitoring frameworks adapted and/or developed to measure outcomes of the private sector investments and their impact on the SDGs and the SDP	None	0	1	Reports and recommendations made for an effective measurement and monitoring of the impact of financing on the SDGs and SDP	UNDP and the Government of Timor-Leste

Result / Indicators	Baseline	Year 1	Year 2	Means of Verification	Responsible partner
<b>Output 2:</b> Enhanced domestic resources to finance health investments					
<b>Output 2 indicator</b> Redesigned pro-health tax implemented in the tax structure and schedules of the government	Existing tax regime	-	Updated pro-health tax regime	Tax structure and schedules	WHO, UNDP, Ministry of Finance, Ministry of Health

<b>Activity 2.1.1</b> Assessment report on social, economic and health rationale of pro-health taxes	None	Assessment report	-	Report	WHO
<b>Activity 2.1.2</b> Analysis of the existing tax regime and the available taxation measures	None	-	Analytical paper	Report	WHO
<b>Activity 2.2.1</b> Number of stakeholder consultations (major organized events)	None	2	2	Meeting reports	WHO
<b>Activity 2.3.1</b> Policy recommendation paper on pro-health taxes with legal provisions, procedural changes, and tax structure and schedules	None		Reported submitted to the COM/Parliament	Formal letter of submission to the COM/Parliament	WHO

Result / Indicators	Baseline	Year 1	Year 2	Means of Verification	Responsible partner
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<b>Output 3:</b> Gender responsive and systematic reform to engage diaspora for financing towards sustainable development created.					
<b>Output 3 indicator</b> Number of new policy interventions that have contributed to creating conditions for Timorese in the diaspora to contribute to financing for the SDGs.	0	1	3	National Policy, National Action Plan, Diaspora Engagement and Remittance Mobilization strategy	IOM and Government of Timor-Leste
<b>Activity 3.1.1</b> Numbers of stakeholders participating in policy dialogues	0	30	60	Workshop Reports, Meeting Minutes, Participant Lists	IOM and Government of Timor-Leste
<b>Activity 3.2.1</b> Number of dialogues held with multi-stakeholders.	0	1	2	Workshop Reports, Meeting Minutes, Participant Lists	
<b>Activity 3.2.2</b> Diaspora profiling and mapping is available.	No	Yes	Yes	Diaspora Profiling and Mapping Survey, Reports	IOM and Government of Timor-Leste
<b>Activity 3.3.1</b> Diaspora financing dashboard for SDGs in Timor-Leste is available.	No	No	Yes	Dashboard, Reports	IOM and Government of Timor-Leste
<b>Activity 3.3.2</b> Pilot diaspora engagement scheme is made available	0	No	Yes	Reports, Participant Lists.	IOM and Government of Timor-Leste

Result / Indicators	Baseline	Year 1	Year 2	Means of Verification	Responsible partner
<b>Output 4:</b> Financing for climate related SDGs is integrated into sectoral development plans and budget processes.					
<b>Output 4 indicator</b> Policy framework and institutional capacity for Catalysing Finance Toward Green and Climate-Resilient Development	0	1	3	Standards of Operations Procedures (SOPs), Road Map and Financial Instruments prepared	UNDP, Ministry of Finance
<b>Activity 4.1.1</b> Road Map with feasible Climate Financing options developed for Timor-Leste.	None	Yes	1	Final Assessment Report, Road Map Consultations and Workshop Reports	UNDP
<b>Activity 4.1.2</b> Institutional capacity assessment to integrate climate financing into sectoral and/or sub-sectoral plans	None	1	1	Capacity Assessment Report with findings and recommendations	UNDP
<b>Activity 4.2.1</b> Innovative climate financing mechanisms and instruments developed	None	At least 1 financing mechanism or plan with budget		Evaluation Reports, Progress Reports, Financial instruments	UNDP
<b>Activity 4.2.2</b> Consultations	None	Stakeholders	Validation of	Consultation reports,	UNDP

to conceptualize feasible investment models, mapping of potential donors and establishing the framework to support climate-resilient development pathways.		engaged in at least 1 event/forum	climate financing models	interviews with participants, Independent evaluations (Reports)	
<b>Activity 4.3.1</b> At least one financing model developed into a viable programme that's piloted and monitored	None	Model developed into programme and piloted	Documentation of best practices and lessons learned, M&E	Program document, stakeholder engagement plan, progress reports, lessons learned log, Evaluation reports	UNDP

### Annex 3. Gender marker matrix

Indicator		Score	Findings and Explanation	Evidence or Means of Verification
N°	Formulation			
1.1	Context analysis integrate gender analysis	2	The main objective of the JP is to help Timor-Leste establish a holistic and INFF with the goal of identifying and mobilizing additional financing leveraged to accelerate sustainable development achievement for the SDGS and SDPs, by growing the fiscal space and increasing financial diversification. The implementation of the JP aims to have positive impact on all SDGs including SDG 5, gender equality.	Context analysis highlighting gender issues
1.2	Gender Equality mainstreamed in proposed outputs	2	<p>Gender equality is mainstreamed within the proposed outputs. This JP aims to mobilize finance for the SDGs and SDP priorities, and as stated in the VNR, gender equality (SDG 5) is a priority area.</p> <p>Output 2 (health financing) - will focus on enhancing domestic resources to financing health investments, using gender and sex aggregated data, include female stakeholder participation and designing the pro-health taxation with a gender-sensitive lens.</p> <p>Output 3 (diaspora financing) - includes gender indicators for example Activity 3.1 of this output focuses on the development of a gender-inclusive diaspora policy and national action plan.</p> <p>Output 4 (climate financing)- Women and children</p>	Policy Document Reports

			<p>are the most vulnerable to climate impacts. This output will promote greater women’s involvement in decision-making and capacity development related to climate financing. Women’s organizations and NGOs focusing on addressing gender inequality will be important stakeholders.</p> <p>In mobilizing additional resources for the SDGs, women’s representation and decision-making will be important throughout the implementation of the JP.</p>	
1.3	Programme output indicators measure changes on gender equality	2	<p>The activities within the programme output indicators include capturing gender equality.</p> <p>Moreover, since the goal of the JP is to support government in establishing and implementing the INFF, the success of the JP in mobilizing additional resources for the SDGs and the SDP will have positive impact on all the SDGs including those on gender equality and women empowerment.</p>	Policy Document Reports
2.1	PUNO collaborate and engage with Government on gender equality and the empowerment of women	2	PUNOs expect to collaborate and engage with Government on gender equality and the empowerment of women in the establishment of the INFF; health financing; diaspora financing and climate financing	Agenda and notes from meetings and discussions held with Government by PUNOs. List of participants, etc.
2.2	PUNO collaborate and engages with women’s/gender equality CSOs	2	All outputs provided will include engagement of CSOs involved with the protection and empowerment of women and girls.	Meeting notes, list of participants, reports, etc.



3.1.	Program proposes a gender-responsive budget	1	The JP does not specify gender-responsive budgeting. However, UN WOMEN is working specifically in this area and potential collaboration between the JP and UN WOMEN's initiative can be explored during the implementation phase.	Not applicable.
	Total	Average 2		

## Annex 4. Budget and Work Plan

### 4.1 Budget per UNSDG categories

UNDG BUDGET CATEGORIES	UNDP		IOM		WHO		PUNO 4		TOTAL	
	Joint SDG Fund (USD)	PUNO Contribution (USD)	Joint SDG Fund (USD)	PUNO Contribution (USD)	Joint SDG Fund (USD)	PUNO Contribution (USD)	Joint SDG Fund (USD)	PUNO Contribution (USD)	Joint SDG Fund (USD)	PUNO Contribution (USD)
1. Staff and other personnel	86,750		7,980		-		0		94,730	
2. Supplies, Commodities, Materials	-		-		-		0		-	
3. Equipment, Vehicles, and Furniture (including Depreciation)	-		-		-		0		-	
4. Contractual services	450,210		147,300		177,310		0		774,820	
5. Travel	15,000		-		-		0		15,000	
6. Transfers and Grants to Counterparts	-		13,200		-		0		13,200	
7. General Operating and other Direct Costs	20,000		12,830		4,000		0		36,830	
<b>Total Direct Costs</b>	<b>571,960</b>		<b>181,310</b>		<b>181,310</b>		<b>-</b>		<b>934,580</b>	
8. Indirect Support Costs (Max. 7%)	28,041		18,690		18,690		-		65,420	
<b>TOTAL Costs</b>	<b>600,000</b>		<b>200,000</b>		<b>200,000</b>		<b>-</b>		<b>1,000,000</b>	<b>-</b>
<i>1st year</i>	300,000		100,000		100,000				500,000	0
<i>2nd year</i>	300,000		100,000		100,000				500,000	0

### 4.2 Budget per SDG targets

This JP intends to contribute directly to 5 out of the 169 global SDG targets across 4 SDGs. This programme aims to identify and mobilize additional financing leveraged to accelerate SDG achievement. The JP contributes predominately to mobilizing additional finance to the SDGs (SDG 17) and SDP, through the INFF establishment as well as the three identified reform areas. The budget will also create direct positive impact on SDG 3, SDG 10 and SDG 13 through the health, diaspora and climate financing respectively. The establishment of an INFF and the investment in People, Prosperity and Planet will enable more financing and investments in the SDGs and SDP priorities of the Government of Timor-Leste.

SDG TARGETS		%	USD
	SDG 17.3	61%	610,796
	SDG 3.8.2	7%	73,937
	SDG 3.4.1	7%	73,937
	SDG 10.7	7%	73,937
	SDG 13.b	17%	167,394
TOTAL		100%	1,000,000

### Annex 5. Risk Management Plan

Risks	Risk Level: (Likelihood x Impact)	Likelihood: Certain - 5 Likely - 4 Possible - 3 Unlikely - 2 Rare - 1	Impact: Essential - 5 Major - 4 Moderate - 3 Minor - 2 Insignificant - 1	Mitigating measures	Responsible Org./Person
<b>Contextual risks</b>					
The process of establishing and implementing INFF is to be undertaken in close coordination and guidance by the Government of Timor-Leste (the Inter-Ministerial Council as the Oversight team). The ongoing political impasse, which started in 2018, will have adverse impact on the	High	4	4	Pending resolution to the political impasse, the JP will operate at the technical level. For example, for the INFF Initiative, the JP will utilize the DFA Oversight team until the INFF Oversight Committee is created. The DFA Oversight team were drawn from leading government entities such as the Office of Prime Minister, the Ministry of Planning and Finance and other government institutions.	UNDP, EU, and the Government of Timor-Leste

overall program, including the revival of the Inter-Ministerial Council.					
<b>Programmatic risks</b>					
Delayed implementation of JP if an early election is called to solve the current impasse	High	4	4	The UNCT will request adjustments to be made to the timelines for the implementation and completion of the JP taking into consideration the development context on the ground.	UN agencies (UNDP/WHO/IOM)
A relatively new concept, INFF might attract low participation and representation from other stakeholders in the INFF dialogues	Moderate	3	3	Efforts will be made to raise stakeholder awareness through establishment of systematic platform for dialogues around the INFF building blocks. These cross-sectoral dialogues will be held on regular basis to discuss and share knowledge and experience on the INFF, and other related initiatives.	UN agencies (UNDP/WHO/IOM) and the EU.
Difficulty in recruiting national staff for the INFF Initiative and others due to limited capacity, and this may have adverse impact on the implementation the JP.	Moderate	3	3	The best candidates from among the applicants will be recruited and paired with international technical advisors to ensure regular mentoring and capacity building. For INFF Initiative, for example, specialists and technical advisors will also be embedded within the government of Timor-Leste to provide technical and coordination support. Support will also be provided in-country from UNDP management and the RCO, as well as remote technical support from BRH and HQ through webinars, calls, etc.	UNDP
Political impasse on the decisions around pro-health taxes	High	3	5	The initiative will mobilize multiple advocacy platforms and stakeholder engagements including Committee F of the National Parliament (WHO already has a mechanism established	WHO & UNDP

				for dialogue with this Parliamentary Committee) and Development Partners for Health Coordination Group (WHO and EU co-chairs this group)	
The global Corona Virus (COVID-19) outbreak may also hamper the implementation of the Joint Fund.	high	3	5	Although virtual and distant engagement could be pursued, given Timor-Leste's context (low internet, poor ICT infrastructure), the JP's implementation will need to adjust with the pressing challenges Timor-Leste is facing.	
<b>Institutional risks</b>					
Weak coordination between the Ministry of Finance (MoF) and the Planning, Monitoring and Evaluation Unit (UPMA) of the PMO will delay the development and operationalization of the INFF initiatives.	Moderate	3	3	For the INFF Initiative, the JP will hire technical assistants to support Government with cross-sectoral planning and coordination, including an embedded national INFF coordinator who will support the gov stakeholders with planning and coordination.	UN agencies (UNDP/WHO/IOM)
Low participation from key government institutions.	low	2	2	The Government of Timor-Leste has made its global commitment to become one of the 15 pioneer countries to implement the INFF. The Office of Prime Minister and the Ministry of Finance confirmed their commitment to support the initiative. At the management level, the further discussions will be held by the EU, UNDP and RCO.	Co-led by UNDP and the EU under strategic guidance from the RCO, as well as with support from other UN agencies
<b>Fiduciary risks</b>					
The risk of an agency handling Joint Programmes' funds not living up to the standards and conditions of the fund	Very Low	1	1	Fiduciary risk anticipated is very low as resource from the Joint SDG Fund will be managed using the systems of the participating agencies	All participating agencies

## Annex 6. Stakeholder Engagement Matrix

INFF initiative	Lead government organization	Lead development partner	Support government org-ns and other actors
INFF leadership, governance and coordination	Oversight Committee (Inter-Ministerial Council) and INFF Secretariat.	UNDP to lead the technical engagement at the INFF Secretariat level	The EU, the World Bank Group, DFAT and others engage in technical support.
INFF technical support and assistance	UNDP to lead the technical engagement a the INFF Secretariat level	The EU and UN agencies working on various investment cases to mobilize more resources for SDGs (WHO and IOM)	The World Bank Group, DFAT, the IMF, and others working on PFM in Timor-Leste
Establish an integrated financing strategy	INFF secretariat with guidance from the INFF Oversight Committee	UNDP with partners including the UN and UN agencies working on investment cases to mobilize resources for SDGs (WHO and IOM)	EU, UNCT, the World Bank Group, ADB, others. All gov-t agencies are responsible for different areas of financing.

Pro-health taxation to finance investments in health	Ministry of Health and Ministry of Finance	WHO	UNDP, World Bank, EU, DFAT. Government agencies, Parliamentary committees, non-government sector, civil society, private sector and communities
Enhanced diaspora engagement and remittance mobilization for financing the SDGs	Ministry of Finance and Ministry of Foreign Affairs and Cooperation with support from the Office of the Prime Minister and SEPFOPE and members of the Sector Policy Review Committee	IOM with partners including the UN and UN agencies working on Diaspora engagement	UNDP, World Bank, ADB  Government agencies, Parliamentary committees, non-government sector, civil society, private sector and communities
Develop innovative and selective climate financing options and instruments	UNDP	Banco Central de Timor Leste, The State Secretariat for environment, Ministry of Agriculture and Forestry	World Bank, IFC, ADB, UNCDF, UNESCO, commercial banks, Ministry of Tourism, Commerce and Industry, SMEs

## [Annex 7. INFF Building Blocks](#)

**Vision:** Strategic Development Plan (2011-2030); SDG Roadmap

**Coordination:**

- MoF, UPMA, MPSI, MCAE, TITL, MCIT, Central Bank and other ministries responsible for other areas of financing
- TLDPM, CCI-TL

**Governance:**

- CoM, SDG working group, Inter-Ministerial Council

**Existing monitoring frameworks:**

- SDP and SDGs independent evaluations, VNR reports, sectoral and annual planning performance reporting, quarterly reporting, DBFTL, transparency portals



**Existing assessments:**

- SDP impl-n progress report, VNR
- PER in health & education, IMF estimation of selected SDGs' costs (plan)
- DFA, PEFA, Article IV, PIMA, TL Budget Governance Roadmap review
- SCD, Doing business, IFC PPP diagnostics

**Existing elements of a financing strategy:**

- SDP, SDG roadmap, Sector Plans,
- Existing financing policies:
- Budget Books, MTEF policy, ESI rules,
- Infrastructure Fund, Human Capital Development Fund
- Foreign Aid Policy, PPP & Loans regulations, Financial sector master plan, GRFE

Likelihood	Occurrence	Frequency
Very Likely	The event is <b>expected</b> to occur in most circumstances	Twice a month or more frequently
Likely	The event <b>will</b> probably occur in most circumstances	Once every two months or more frequently
Possibly	The event <b>might</b> occur at some time	Once a year or more frequently
Unlikely	The event <b>could</b> occur at some time	Once every three years or more frequently
Rare	The event <b>may</b> occur in exceptional circumstances	Once every seven years or more frequently

Consequence	Result
Extreme	An event leading to <b>massive or irreparable</b> damage or disruption
Major	An event leading to <b>critical</b> damage or disruption
Moderate	An event leading to <b>serious</b> damage or disruption
Minor	An event leading to <b>some</b> degree of damage or disruption
Insignificant	An event leading to <b>limited</b> damage or disruption

Likelihood	Consequences				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Very likely (5)	Medium (5)	High (10)	High (15)	Very High (20)	Very High (25)
Likely (4)	Medium (4)	Medium (8)	High (12)	High (16)	Very High (20)
Possible (3)	Low (3)	Medium (6)	High (9)	High (12)	High (15)
Unlikely (2)	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare (1)	Low (1)	Low (3)	Medium (3)	Medium (4)	High (5)

Level of risk	Result
Very High	Immediate action required by executive management. Mitigation activities/treatment options are mandatory to reduce likelihood and/or consequence. Risk cannot be accepted unless this occurs.
High	Immediate action required by senior/executive management. Mitigation activities/treatment options are mandatory to reduce likelihood and/or consequence. Monitoring strategy to be implemented by Risk Owner.
Medium	Senior Management attention required. Mitigation activities/ treatment options are undertaken to reduce likelihood and/or consequence. Monitoring strategy to be implemented by Risk Owner.
Low	Management attention required. Specified ownership of risk. Mitigation activities/treatment options are recommended to reduce likelihood and/or consequence. Implementation of monitoring strategy by risk owner is recommended.



4.3 Work Plan

Output	Annual target/s		List of activities	Time frame								PLANNED BUDGET				PUNO/s involved	Implementing partner/s involved		
	Year 1	Year 2		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Overall budget description	Joint SDG Fund (USD)	PUNO Contributions (USD)	Total Cost (USD)				
<b>Output 1. By 2022, holistic and integrated system of financing for SDGs is strengthened (SDG 17.3)</b>	5	4	Activity Result 1.1: An integrated financial strategy is articulated bringing together policies, instruments, and partnerships used to govern public and private finance.		X	X	X	X	X	X	X	Contractual Services Individual ( SB4/2)	21,750		21,750		UNDP, EU, Government of Timor-Leste, and partners		
												Training & Workshop	29,495		29,495				
	7	8	Activity Result 1.2: Clearer public-private financing frameworks for prioritizing financing reforms are established and implemented.		X	X	X	X	X	X	X	Contractual Services Individual ( SB4/2)	21,750		21,750				
				X	X	X	X	X	X	X	Local consultant	10,000		10,000					
												Training & Workshop	30,000		30,000				
				X								International consultant	70,000		70,000				
	0	1	Activity Result 1.3: Enhanced mechanisms to monitor impact of public-private financing on the SDGs and stronger INFF oversight.					X				International consultant	37,050		37,050				UNDP & GOVTL
								X	X	X	X	Local consultant	20,000		20,000				
											UNV (International)	65,000		65,000					
<b>Programme Management Support Output 1</b>		1	JP Evaluation								X	Contractual Services	30,000		30,000				
	1	1	Monitoring, reporting and strategic communications	X	X	X	X	X	X	X	X	Professional Services	30,000		30,000				
	1		Project quality assurance support	X	X	X	X	X	X	X	X	Direct Project Cost	20,000		20,000				
			Indirect costs (7%)										26,801		26,801				
			Sub-total for Output 1										411,846		411,846				
Output	Annual target/s		List of activities	Time frame								PLANNED BUDGET				PUNO/s involved	Implementing partner/s involved		
	Year 1	Year 2		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Overall budget description	Joint SDG Fund (USD)	PUNO Contributions (USD)	Total Cost (USD)				
	1	1	Activity Result 2.1. Increased understanding on the social, economic and health rationale of pro-health taxes and the existing tax regime			X						International Consultant (expert on health taxes)	60,000		60,000				
						X						Local Consultant (coordinating the initiative)	20,000		20,000				

4.3 Work Plan

Output 2: Enhanced domestic resources to finance health investments (SDG 17.3, SDG 3.8.2, SDG 3.4.1)	2	2	Activity Result 2.2 Appropriate pro-health taxation measures identified and prioritized through extensive stakeholder involvement																Training & Workshop	34,810		34,810		
	0	1	Activity Result 2.3: Pro-health taxation measures designed and recommended to the government																International Consultant (expert on health taxes, health financing, PFM as relevant)	35,000		35,000		
		10																	Training & Workshop	17,500		17,500		
																				Printing	4,000		4,000	
Programme Management Support Output 2	1	1	Monitoring, reporting and strategic communications	X	X	X	X	X	X	X	X	X	X	X				Professional Services	10,000		10,000			
			Indirect costs (7%, plus charge of 6k)																18,690		18,690			
			Sub-total for Output 2																200,000		200,000			
Output	Annual target/s		List of activities	Time frame										PLANNED BUDGET				PUNO/s involved	Implementing partner/s involved					
	Year 1	Year 2		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Overall budget description	Joint SDG Fund (USD)	PUNO Contributions (USD)	Total Cost (USD)									
Output 3: Gender responsive and systematic reform to engage diaspora for financing towards sustainable development created. (SDG 17.3, SDG 10.7, SDG 13.b)	30	60	Activity Result 3.1. Gender-inclusive Diaspora Policy and Diaspora National Action Plan that promotes sustainable development is made available.	X	X	X	X	X	X	X	X	X	X	International consultant	60,000	-	60,000							
				X	X	X	X	X	X	X	X	X	X	Local consultant	30,000		30,000							
				X	X	X	X	X	X	X	X	X	X	Printing	2,700		2,700							
				X	X	X	X	X	X	X	X	X	X	Training & workshop (NAP&Policy)	12,300		12,300							
	0	2	Activity result 3.2 An inclusive environment for engagement that empowers diaspora communities and mobilizes financing for sustainable development is available.						X	X	X	X	X	Training & workshop (Strategy Development)	11,000		11,000							
								X	X	X	X	X	Printing	2,000		2,000								
			Activity Result 3.3 The Government of Timor-Leste has the capacity to mobilize diaspora contributions into national development priorities including through transfer of remittances.				X					X	Training & workshop	14,000		14,000								
										X	X	X	Grants	13,200		13,200								
									X	X	X	X	International Consultant	10,000		10,000								
Programme Management Support Output 3	1	1	Monitoring, reporting and strategic communications	X	X	X	X	X	X	X	X	X	Professional Services	10,000		10,000								
Project Management Cost output 3				X	X	X	X	X	X	X	X	X	Contractual Services Individual	7,980		7,980								
				X	X	X	X	X	X	X	X	X	Office Supplies	8,130		8,130								
			Indirect costs (7%, plus charge of 6k)										18,690		18,690									
			Sub-total for Output 3										200,000		200,000									
Output	Annual target/s		List of activities	Time frame										PLANNED BUDGET				PUNO/s involved	Implementing partner/s involved					
	Year1	Year2		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Overall budget description	Joint SDG Fund (USD)	PUNO Contributions (USD)	Total Cost (USD)									
Output 4: Financing for climate related SDGs is integrated into sectoral development plans and budget processes (SDG 17.3, SDG 13.b)			Activity Result 4.1. Capacity assessment conducted and Road Map prepared to integrate climate financing into sectoral development plans and budget processes to accelerate SDG implementation.											International Consultant (Capacity Assessment & Road Map for Climate Financing)	70,000	-	70,000							

4.3 Work Plan

											Local Consultant	15,000		15,000
					X						Local Consultant	15,000		15,000
											Training & Worrkshop (including consultations among key stakeholders)	36,915		36,915
											Travel	15,000		15,000
											Training & Workshop (including consultations among key stakeholders)	35,000		35,000
						X	X	X	X					
											Indirect costs (7%)	1,239		1,239
											Sub-total for Output 4	188,154		188,154
											<b>Total programme cost</b>			
											<b>TOTAL for INFF</b>	<b>1,000,000</b>		<b>1,000,000</b>