



# The First Quarterly Report, 2014 Local Governance Support Programme (LGSP)

Reporting period: 1 January – 31 March 2014

Reporting Date: 30 April 2014

**Local Governance Support Programme (LGSP)**  
**First Quarterly Report 2014**  
**Reporting Period: 1 January – 31 March 2014**

Programme Title and Number	Country, Locality (s), Thematic Area (s)
Programme Title: Local Governance Support Programme (LGSP) UNDP-BU: 45604 (Award ID), 53898 (Project ID) UNCDF-BU: 69506 (Award ID), 84045 (Project ID) 45924 (Award ID), 54393 (Project ID) MDTF Office: 55656 (Award ID)	Country: Timor-Leste Thematic Area (s): - Local Governance and Decentralization - Poverty Reduction
Participating Organization (s)	Implementing Partners
UNDP and UNCDF	Ministry of State Administration
Programme/ Project Cost (US\$)	Program Duration
<b>Participating Agency Contribution</b> 2007 - 2011 UNDP US\$ 1,060,000.00 UNCDF US\$ 650,000.00 2012 - 2013 UNDP US\$ 200,000.00 UNCDF US\$ 200,000.00	Overall duration: 7 years Start date: 01/2007 End date/ Revised end date: 12/2013
<b>Government Contribution</b> 2007 - 2011 US\$ 9,768,515.00 2012 - 2013 US\$ 12,600,000.00	Operational closure date: N/A
<b>Other Contribution (Donors)</b> 2007 - 2011 Irish Aid € 2,260,000.00 (Pass-through funding) Irish Aid US\$ 838,795.00 (Cost-sharing) Norwegian Government US\$ 119,327.00 (Cost-sharing) 2012 - 2013 Irish Aid US\$ 453,250 (Pass-through funding) Norway US\$ 1,116,714 (Pass-through funding)	Expected financial closure date: Project no cost-extension 1 <sup>st</sup> January to 30 <sup>th</sup> June 2014 agreed by the Project Steering Committee (PSC)
<b>Total</b> US\$	
Programme Assessment/ Mid-term evaluation	Submitted by:
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<sup>1</sup> Priority Area for the Peace building Fund: Sector for the UNDG ITF.

<sup>2</sup> The start date is the date of the first transfer of the funds from the MDTF Office as Administrative Agent. Transfer date is available on the MDTF Office GATEWAY (<http://mdtf.undp.org>).

<sup>3</sup> All activities for which a Participating Organization is responsible under an approved MDTF program have been completed. Agencies to advise the MDTF Office

## LIST OF ABBREVIATIONS AND ACRONYM

DA	District Assembly
KDD	District Development Committee
DNDLOT	National Directorate for Local Development and Territorial Management
DSF	Decentralization Strategic Framework
GoTL	Government of Timor-Leste
EVAS	EquipaVerifikasaun, Avaliasaun no Supervisaun
ISD	Infrastructure and Service Delivery
KDD	KomisaunDezenvolvimentoDistritu
KDSD	KomisaunDezenvolvimento Sub-Distritu
LDF	Local Development Fund
LDP	Local Development Program
LG	Local Governance
LGOS	Local Government Options Study
LGSP	Local Governance Support Program
LoA	Letter of Agreement
MC	Minimum Condition
MoF	Ministry of Finance
MSA	Ministry of State Administration
MTWGs	Ministerial Technical Working Groups
NGO	Non-Governmental Organization
NIM	National Implementation Modality
PBGS	Performance Base Grant System
PDD/DDP	Decentralized Development Programme
PDID	District Integrated Development Planning
PEM	Public Expenditure Management
PFM	Public Financial Management
PM	Performance Measures
SKDD	Sub-District Development Committees
SDP	Suco Development Plan (also acronym for Strategic Development Plan 2011-2030)
SKDD	SorumotuKoordenasaunDezenvolvimentoDistritu
TWG	Technical Working Group
SKDN	SorumotuKoordenasaunDezenvolvimentonacional
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program

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## **I. Programme Overview**

The Local Governance Support Programme (LGSP) is a joint programme funded by the Government of Timor-Leste (GoTL), The Government of Ireland through Irish Aid, the Government of Norway, UNDP and UNCDF. It is being implemented over a 7-year period (2007-2013). The current LGSP II (2012-2013) is an extension of LGSP I (2007-2011). The implementation of the LGSP II activities in 2014 is based on the decision of the Project Steering Committee (PSC) for a six month-no cost-extension, 1<sup>st</sup> January to 30 June 2014. The overarching goal of the LGSP is to contribute towards poverty reduction in Timor-Leste. The objective of the programme is to support the establishment of accountable and effective local government and decentralization, by endowing accountable local government bodies with greater responsibilities for planning, budgeting, and implementation of infrastructure and service delivery. To achieve its purpose, LGSP II will deliver three key outputs:

### **Output 1: Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizens participation**

This output builds on the former Local Development Programme (LDP), which started as a national pilot programme in 2004 with the objective of testing different models for decentralization and local governance. The LDP supports capacity development at the local level through the provision of block grants to local assemblies, which are responsible for allocating and managing a small capital budget for local infrastructure programs, called the Local Development Fund (LDF). The first pilots started in 2005. In 2010 the LDP was up-scaled to all 13 districts, making it a nation-wide local development program. In early 2012 the Government approved the PDID harmonizing different local development programme, including adopting the best practices of LDP. Once municipalities will be created in the context of decentralization, LGSP plans to support the establishment of local government systems and procedures in the new municipalities, and the continued strengthening of local capacities for public service provision.

### **Output 2: Improved institutional, legal, and regulatory framework established in support of effective local governance**

Through this output, which continues the work started by the Local Governance Options Study (LGOS) in 2003, the programme supports the development of a policy framework for the establishment of a full-fledged local government system in Timor-Leste. This output includes the provision of technical support to the drafting, internal discussion and eventually external consultation of policy and legal instruments that are necessary to establish an

effective and accountable local government in Timor-Leste. In mid-2013, following the countrywide Prime Minister led decentralization consultation; UNDP was requested to support decentralization capacity building. The Project Steering Committee further approved to include the initiative under this outcome.

### **Output 3: Project Management Support**

This output refers to the support provided for the management aspect of the project, which comprises operations management, resource mobilization, fund management, human resource management and communication and civic educations activities for local governance and decentralization.

The project aims at supporting the National Priorities of Timor-Leste, with particular focus on ‘promoting decentralization and local government reforms processes’. The Joint Programme is linked to the UN Development Assistance Framework 2009-2013 (UNDAF) as below:

**Outcome 1.1:** State organs and institutions are more efficient, transparent, accountable, equitable, and gender responsive in planning and delivery of services.

**Output 1.1.3:** The Government has a clear legal framework for decentralization

**Output 1.1.4:** The established local government institutions have the core capacities to fulfill their mandates.

## **II. Implementation and Monitoring Arrangements**

The programme is developed and implemented as an integrated part of the Ministry of State Administration (MSA). Until mid-2010, LGSP worked directly with and was embedded in the National Directorate for Local Development and Territorial Management (DNDLOT), which was created in 2008 to oversee the LDP pilot and the decentralization reform process.

Following a request by the Minister of MSA in mid-2010, LGSP adjusted its structure to work with a broader counterpart structure, including the Director General and five key directorates within MSA, depending on the subject concerned. The five directorates are: Directorate for Local Development (regarding the LDP), Directorate for Local Administration (regarding decentralization policy issues) Directorate of Finance, Directorate of Sucos (Villages), and Institute for Public Administration Reform for capacity development issues. In addition, policy issues will be closely coordinated with the Minister of State Administration.

As part of the Joint Programme of cooperation with the Government of Timor-Leste as fully described in the “Joint Programme Document” dated 30 January 2012, it was agreed to establish a coordination mechanism which is called Steering Committee chaired by the Minister of State Administration to facilitate the effective and efficient collaboration between the Participating UN Organizations and the host Government for the implementation of the Joint Programme (JP).

A Project Board (PB) was established to provide programme oversight and guidance. The PB meets twice a year to discuss LGSP progress and endorse programme orientation. It is responsible for endorsing the annual work plan, the annual progress reports, and provides guidance on project implementation, and adjustment required. The PB consists of: Minister of State Administration (Chair), a senior MSA official directly involved in the programme, a UNCDF representative, a UNDP representative, and one representative from each participating development partner organization.

The programme follows UNDP/UNCDF procedures and manages all procurement processes through the UNDP Country Office in Timor-Leste or UNCDF Regional Center in Bangkok.

LGSP operates a Monitoring Information System to manage data on project progress in a systematic manner. LGSP team meetings are being held on a regular basis and there are daily management meetings to discuss the progress, planned activities and any challenges as well as follow-up actions to address any area lagging behind. These meetings have proved to be

essential for establishing a regular channel for communication and coordination within the LGSP team.

The programme reports on a quarterly basis on the progress against assigned outputs and activities, challenges and issues in a consolidated manner. Two processes of Annual reporting, Annual Narrative Report and Annual Financial Report, are prepared.. A Consolidated Annual Report on project achievements against the established project outputs and targets, issues and challenges, and financial situation is always prepared and approved by MPTF headquarter and shared with the Government and donors.

An internal programme review was conducted in August 2008, which had the main objective to evaluate LGSP design and progress. An external mid-term evaluation was conducted in March 2010, as part of the UNCDF Special Project Implementation Review Exercise (SPIRE) of 2010-11.

Participating Organizations have appointed the UNDP MPTF Office to serve as their Administrative Agent (AA) for this Joint Programme. The AA is responsible for a range of fund management services, including: (a) receipt, administration and management of donor contributions; (b) transfer of funds approved by this Joint Programme to Participating Organisations; (c) Consolidate statements and reports, based on submissions provided to the AA by each Participating UN Organisation; (d) synthesis and consolidation of the individual annual narrative and financial progress reports submitted by each Participating Organization for submission to donors through the Steering Committee.



### III. Activities and Achievements during the Reporting Period

#### Output 1: Local Development Programme

Improved capacity for local infrastructure and service delivery (ISD) by sub-national bodies with increased citizen participation

*Key Target Results for 2014:*

- Bottom-up PDID planning for 2015 conducted following the PDID procedures
- PDID technical engineering training programme conducted in 13 districts

*Key achievements in the first quarter:*

- Bottom-up PDID planning for 2015 initiated following the PDID procedures
- The first module of the technical training programme was successfully delivered in the 13 districts

#### 1.1 Procurement Process for PDID 2014 Projects

The PDID pre-qualification processes conducted early this year follows the PDID Procurement Decree Law (No. 11/2013, of 7<sup>th</sup> August 2013). During the prequalification process, 1604 companies across the 13 districts expressed their interest. The district with the highest number of applicants is Oecusse, with 238 companies and the lowest is Aileu with 28 applicants as summarized in the following table.

Table 1: Number of Company Applied by District

District	No. of Project	No. of Company Applied
Aileu	14	38
Ainaro	13	90
Baucau	20	126
Bobonaro	21	165
Covalima	18	140
Dili	16	198
Ermera	21	91
Lautem	16	110
Liquica	15	85
Manatuto	15	104
Manufahi	13	108
Oecusse	15	111
Viqueque	15	238
Total	212	1604

After the DPCs evaluated the applicants' legal status, financial and technical capability, 624 companies were considered for the final stages of the process, i.e. administrative evaluation of the application documents and inspection to the company premises. These companies were then classified into two categories: A (companies that are eligible to bid for projects that cost up to 150 thousand USD), and B (companies that are eligible to bid for projects that cost between 150 thousand and 500 thousand USD). Out of 624 eligible companies, 427 were classified under A category and 197 under B category. In total, from this preliminary result, the district with the highest pre-qualified companies irrespective of category is Manufahi with 73 companies and the lowest is Aileu with 23 companies (see table 2).

Table 2: Number of Company Eligible for the Final Pre-qualification processes

District	Category A	Category B	Total
Aileu	15	8	23
Ainaro	22	15	37
Baucau	21	19	40
Bobonaro	61	8	69
Covalima	32	11	43
Dili	29	16	45
Ermera	38	17	55
Lautem	46	18	64
Liquica	15	11	26
Manatuto	46	16	62
Manufahi	40	33	73
Viqueque	21	12	33
Oecussi	41	13	54
	427	197	624

However, prior to the final stages of the prequalification process, the MSA issued ministerial dispatch (No: 20/SEDL/II/2014, of 4<sup>th</sup> February) to cancel all the prequalification process. The cancellation was decided following the government announcement that there will be no state budget allocated to PDID new projects in 2014, as the MSA is to focus only on the implementation of uncompleted 2013 projects. The MSA then organized a meeting on 4<sup>th</sup> February in Dili to inform districts and line ministry representatives about the cancellation. Table 4 below summarized the pre-qualification process from the initial process until the cancellation.

Table 3: Prequalification Process for the PDID 2014 Projects

Activity	Who does it	When	Observation
Document Preparation	CAD & Evas	Oct-13	Done
Announcement	CAD & Evas	Nov-13	Done
Submission of the Candidature	CAD & Evas	Nov-Dec 2013	Done
Evaluation	CAD & Evas	Dec 2013 – Jan 2014	Done
Verification of Legality	CAD & Evas	Jan-14	Done
Announcement the list of companies	CAD & Evas	Jan-14	The process were cancelled according to the SEDL dispatch
Complained Period	CAD & Evas	Jan-14	No:20/SEDL/II/ 2014

## 1.2 Implementation of the PDID 2013 Project Cycle

By 31 March 2014 the overall physical implementation of the uncompleted PDID projects of 2013 totaling 69.16 million USD for 519 projects (only completed 78%, 70% is of PDD I and 75% is of PDD II, by end of 2013) has reached 90% (92% for PDD I and 86% for PDD II). The Ministry of Finance (MoF) has disbursed 45.14 million USD to the contractors (or 65% of the total PDID 2013 budget).

During this reporting period, implementation has been reasonably smooth with no significant technical or operational issues arising. The following tables show PDID 2013 project implementation progress to date.

Table 4: Physical Progress and Payment of the PDID 2013 Projects by District

District	No of Project	Total Budget	Total payment to the contractor	Payment progress	Physical progress
Aileu	31	3.49	2.71	78%	91%
Ainaro	40	6.05	2.95	49%	77%
Baucau	41	8.22	5.81	71%	93%
Bobonaro	40	5.68	3.25	57%	90%
Covalima	36	5.49	3.72	68%	97%
Dili	51	9.54	5.79	61%	78%
Ermera	50	5.17	3.67	71%	91%
Lautem	37	2.98	2.20	74%	93%
Liquica	35	5.65	4.50	80%	98%
Manatuto	50	4.64	2.44	53%	88%
Manufahi	42	2.82	1.66	59%	83%
Oecusse	35	4.35	3.55	82%	100%
Viqueque	31	5.10	2.91	57%	87%
Total	519	69.16	45.14	65%	90%

#### 1.4. Planning Process for the PDID 2015 Project Cycle

The KDD secretariat started receiving 2015 project proposals from the KDSD and DT in December 2013. As of 31<sup>st</sup> March 2014, the KDD secretariats in 11 districts have received a total of 425 project proposals for 2015 from the KDSD (303 proposals) and DT (122 proposals) following the MSA Dispatch No. 27/GM/X/2013, of 18<sup>th</sup> October 2013. Only Dili and Bobonaro district are yet to submit their project proposals.

Table 5: Number of Proposal Submitted to KDD by District

District	Suco	DT	Total
Aileu	35	9	44
Ainaro	20	9	29
Baucau	48	0	48
Bobonaro	0	0	0
Covalima	38	10	48
Dili	0	0	0
Ermera	29	0	29
Lautem	6	4	10
Liquica	19	24	43
Manatuto	35	1	36
Manufahi	29	0	29
Oecusse	25	42	67
Viqueque	19	23	42
Total	303	122	425

In addition to the above submission, the MSA issued Dispatch No.20/SEDL/II/2014 of 4<sup>th</sup>February 2014 informing the districts that there will be no projects for 2014 and asking them to revisit the 2014 project proposals and re-prioritize them together with the new project proposals for 2015. From the 522 submitted projects received by KDD from the KDSD and DT, a total of 424 project proposals have been identified for 2015 project implementation. Of these, 63 are from the 2014 project proposals (i.e. 41 are projects in the draft PID, and 21 are projects in the draft book 3 of state budget proposals), and the remaining 361 are new project proposals.

The following table summarizes the planning process for the PDID 2015 project cycle. It is expected that the planning cycle will be concluded by June as per approved planning calendar.

Table 6: The Schedule &amp; Progress of Planning Process for PDID 2015 Projects

Step	Activity	Who does it	Objective	When	Status
1	Identification of Suco development needs	Communities, aldeias and Suco Council members	Identification of Suco needs through the PDS and community consultations to establish community level priorities	Oct - Nov 2013	Done
2	A) Prioritising of Suco development needs	Suco Councils	Suco Councils prioritise project proposals and submit to the KDSD.	Oct - Nov 2013	Done
	B) Prioritising development needs for the Territorial Delegation at the Sub-district level	Territorial Delegation at the Sub-district level	To prioritise proposals by sector from the Territorial Delegation in the Ministries at the Sub-district level and submission to the KDSD.	Nov-13	Done
3	A) Prioritising and approval of KDS D needs in the KDS D		KDS D reviews project proposals for submission to the KDD to prioritise project proposals at the Sub-district level from the Suco and Territorial Delegation at the Sub-district level	Nov-13	Done
	B) Prioritising and approval of the needs of the Territorial Delegation at the District level	Territorial Delegation at the District level	To prioritise proposals by sector from the Territorial Delegation in the Ministries at the District level and submission to the KDD.	Dec-13	Done
4	Short-listing, verification and assessment	EVAS Secretariat	To gather and undertake assessments of proposals and add technical and other information together with the proposals	Dec 2013 – June 2014	In progress

### 1.5. LoA Expenditure

The LoA was signed between UNDP and the MSA on 25<sup>th</sup> February 2011 to: i) finance the salaries of 42 technical staff in the district for the period of July to December 2011, and; ii) support the recruitment of thirteen (13) district-based planning officers and two (2) national engineers. The remuneration scale applied under this LoA is based on the government public service remuneration scale (level 4 with salary scale based on the education background and working experience).

The LoA marks a significant step towards aligning with national system as it will permit to tests MSA capacity to carry out activities in accordance with the procedures agreed with the LGSP. This can be also seen as the start of the transition from direct implementation (DIM) to national implementation (NIM) modality.

In early January, the MSA submitted the closing of account for 2013 and requested a total of US\$ 19,553 to cover staff salary and travel cost. The budget was transferred to the MSA bank account in February 2014.

Table 7: Summary Expenditure  
as of 31 March 2014

<b>Budget Category</b>	<b>Total Cost</b>
Staff salary	\$ 14,103.00
Travel	\$ 5,450.00
IT Equipment	-
<b>Total</b>	<b>\$ 19,553.00</b>

### **1.6. Engineering Technical training for district staff**

The engineering technical training for district staff was initiated in mid-2013 at the request of the MSA to improve the quality of PDID projects design and implementation. The training programme was designed by taking into account inputs both from the MSA engineers at the national level and the district technical teams. The training programme aimed to capacitate district technical staff to adequately plan and produce sound designs and reasonable cost estimation for all PDID projects in the districts. The eight training modules should be delivered within three years. The modules are: i) Investigation and evaluation of project site; ii) Project design; iii) Project cost estimation; iv) Preparation of drawings; v) Preparation of bill of quantity (BoQ); vi) Contract and specification; vii) Project supervision and reporting, and; viii) Project management.

Prior to the delivery of each module to the district technical teams (average of 10 participants), 10 trainers (6 from DNDD and 4 from LGSP) were prepared through a Training of Trainer (ToT) in Dili to enable them to deliver the training in all 13 Districts.

Due to the limited number of trainers and since the training is running alongside other equally important PDID activities such as monitoring and evaluation of the implementation of the current projects (i.e. PDID 2013 projects) and the preparation for 2015 project design and BoQ, a typical module takes about 3 months to be delivered to all the 13 Districts.

To date the DNDD and LGSP trainers have successfully delivered the first module (Site investigation) to all districts between September 2013 and January 2014. During this reporting period, the DNDD and LGSP trainers have completed a five days ToT on second module (Site investigation and preliminary design) and have delivered the module to Aileu district. Delivery of module two will continue until May, as shown in the training schedule below.

Table 8: Module 2 Training Schedule

<b>District</b>	<b>Date</b>
Aileu	31 <sup>st</sup> /03/2014 to 4 <sup>th</sup> /04/2014
Liquica	7 <sup>th</sup> / 04/2014 to 11 <sup>th</sup> / 04/2014
Ermera	7 <sup>th</sup> / 04/2014 to 11 <sup>th</sup> / 04/2014
Manatuto	7 <sup>th</sup> / 04/2014 to 11 <sup>th</sup> / 04/2014
Lautem	21 <sup>st</sup> /04/2014 to 25 <sup>th</sup> /04/2014
Ainaro	21 <sup>st</sup> /04/2014 to 25 <sup>th</sup> /04/2014
Bobonaro	21 <sup>st</sup> /04/2014 to 25 <sup>th</sup> /04/2014
Baucau	28 <sup>th</sup> /04/2014 to 2 <sup>nd</sup> /05/2014
Covalima	28 <sup>th</sup> /04/2014 to 2 <sup>nd</sup> /05/2014
Viqueque	5 <sup>th</sup> / 05/2014 to 9 <sup>th</sup> / 05/2014
Manufahi	5 <sup>th</sup> / 05/2014 to 9 <sup>th</sup> / 05/2014
Oe-cusse	5 <sup>th</sup> / 05/2014 to 9 <sup>th</sup> / 05/2014
Dili	12 <sup>th</sup> /05/2014 to 16 <sup>th</sup> /05/2014
Alieu	12 <sup>th</sup> /05/2014 to 16 <sup>th</sup> /05/2014

## Output 2: Policy and Legislation

Improved institutional, legal, and regulatory framework established in support of effective local governance

### *Key Target Results for 2014:*

- Bottom-up PDID planning for 2015 conducted following the PDID procedures
- The First Pillar Administrative Pre-deconcentration Capacity Building conducted

### *Key achievement in the first quarter:*

- DSDP pilot in Viqueque district completed
- The Cost-Sharing Agreement for Administrative Pre-deconcentration Capacity Building signed between UNDP and SEFI
- Administrative Pre-deconcentration Capacity Building Thematic Coordinators and Resource Persons have a better understanding of the capacity building strategy, content, and role to play during the Administrative Pre-deconcentration Capacity Building.
- The PDID operational budget procedures are applied in the PDID 2015 bottom-up planning

The main achievements under this output were the support provided to MSA in the:

- i) Issuance of the dispatch on PDID planning and implementation by the Secretary of State for Local Development (SEDL) on planning and implementation of PDID 2014;
- ii) Revision of the PDID operational budget circular;
- iii) Other results were the drafting and approval of the Decree Law on the Financial Incentives for Community Leader and its subsidiary legislation.

In addition, LGSP continued its support to MSA in the implementation of communication and outreach initiatives through the production, publication and distribution of the bi-monthly bulletin, as well as supporting the broadcasting of the final quarterly radio program of 2013.

## **2. Development of subsidiary legislation to support local level PEM/PFM systems and procedures**

### **2.1. Issuance of the ministerial dispatch on planning and implementation of PDID activities for 2014**

Following the discussion of the General State Budget for 2014 in the National Parliament, the Government decided to eliminate new infrastructure projects from this year budget proposal, including the PDID infrastructure projects that were identified through the 2013 PDID planning



process. Hence, the 2014 approved State Budget only allocates budget for the re-appropriation (rollover of project budget that would only be completed in the following year) and retention (percentage of (10%) total project cost that would only be paid few months later after a project is completed) of the 2013 projects.

Subsequently, the MSA through the Secretary of State for Local Development (SEDL), with support of LGSP, issued a dispatch in February 2014 (Dispatch No.20/SEDL/II/2014, of 4th February) to the PDID bodies to provide the orientations as follows:

- a. The KDD, through its sub-structure of EVAS to continue supervise the uncompleted infrastructure projects of 2013 as to ensure timely completion of these projects in 2014;
- b. The KDD to announce the cancelation of the pre-qualification process conducted by the District Procurement Commission (DPC) in each district, considering that there will be no new PDID projects to be implemented in 2014;
- c. The PDID bodies to continue the planning process for the PDID 2015 projects cycle, and should consider in the prioritisation process the merge of the new projects proposals with the proposals presented during the 2014 PDID budget proposal.

## **2.2. Revision of the ministerial circular on the PDID operational budget**

In February 2014, the LGSP supported MSA in the revision of the ministerial circular on the operational budget for the PDID planning and implementation processes. This circular defines the budget-line items under goods and services, the officers responsible for managing the budget and the procedures for the budget request, execution and reporting requirements.

The budget-line items in the previous circular only describe line items for operational expenses. The revision of the circular was aimed at dividing the line-items into two budget lines: local travel and operational expenses, including detail line items and the amounts allocated for each activity, such as meetings, transport costs, sitting allowances for the suco participants in the KDD meetings, as well as the identification of those entitled to receive the allowances.

And the officers responsible for managing the budget at the district level are the District Administrator and/or Secretary of the District Administration, the Chief of the District Planning and Development Department as well as the Chief of the District Finance Department. The circular requires for these budget managers to provide quarterly reports to the MSA.

### **3. Support for piloting the District Strategic Development Plan (DSDP)**

#### **3.1. The DSDP pilot in Viqueque district**

The DSDP pilot activities in Viqueque district was initiated in August 2013 and concluded in January 2014 with the final approval of the DSDP by the KDD of the Viqueque district. The DSDP will be used by the district as a guiding planning framework for the annual PDID planning process. The 5-years DSDP priority programmes will be considered and prioritized by the KDD of Viqueque and included in their annual District Investment Plan (DIP) for PDID 2015 implementation phase.

The development of the DSDP had four key purposes: i) to provide guiding strategic framework to streamline all development activities in the district, in line with the National Strategic Development Plan (NSDP) 2011-2030; ii) to identify areas of priority for capital investment programs and needs for improved public services; iii) to set targets and indicators for the district towards achieving the NSDP goals, and; iv) to develop multi-sector strategies in three cross-cutting themes: economic development and poverty reduction, gender equality, and building climate change resilience.

The three main priority areas that were identified in the DSDP of Viqueque district were reflected in their District Investment Plan (DIP) for PDID 2014, namely roads and bridges, water and sanitation, and education.

#### **3.2. The DSDP pilot in Ermera district**

In January this year, the National Directorate for Planning, Evaluation and External Cooperation (DNPACE) of the MSA convened a meeting with LGSP to discuss the expansion of the DSDP pilot to the Ermera district in addition to the three DSDP pilot districts in 2013. At the same time, a strategic planning process has been initiated by the district administration officials with the support of the Asia Foundation following a request from the Secretary of State for Administrative Decentralisation (SEDA) of the MSA. And to develop a more comprehensive strategic plan, the District Administration requested additional support and orientation from DNPACE and LGSP.

Subsequently, the LGSP supports DNPACE and the Ermera District Administration team carried out preparatory work for the DSDP elaboration process, which includes the establishment of work plans and budgets, and support orientation meeting with the district administration, district level territorial delegations, sub districts and Suco and local NGOs held on 28<sup>th</sup> March.

Following the orientation meeting, the DSDP elaboration process will continue with the situation analysis, the strategic workshops (for the three multi sector strategies), and the program approval. It is expected that the DSDP elaboration process in Ermera district will be concluded by the second quarter of this year.

## **4. Support to the Decentralization Initiatives**

### **4.1. Promulgation of the decree law on Administrative Pre-deconcentration**

On the 13th of August, the Council of Ministers (CoM) approved a Decree-Law that defines the organic structures of administrative pre-deconcentration. The Decree Law was prepared by the Secretary of State for Administrative Decentralization (SEDA) and presented to the Council of Minister (CoM) by the Minister of State Administration (MSA).

The Decree Law establishes the organizational and structural functions of local administrative pre-deconcentration bodies, as peripheral services under the direct administration of the State, with administrative autonomy and fiscal power. These structures are aimed to ensure the implementation of the government programs and the maintenance of coordinated actions of all state services at the local level, as well as the support of activities of traditional community leaders and non-governmental organizations.

In January this year, the Decree Law was promulgated and published in the official gazette as Decree-Law No. 4/2014, of the 22nd January.

### **4.2. National Workshop on Training Policy for Administrative Pre-deconcentration Structure**

The UNDP-SEFI development of strategies, programmes and contents of the first pillar of the two pillar of administrative pre-deconcentration capacity building activities to be developed: i) a strategy for rolling-out the pre-deconcentration structure, and; ii) a comprehensive administrative capacity building strategy targeting all the bodies of the pre-deconcentration structures was completed in February 2014.

On 27 of February 2014, a national workshop was organised by the Secretary of State for Institutional Strengthening (SEFI) under direct leadership of Prime Minister RDTL was held in Dili. The detailed plan of the Administrative Pre-deconcentration Orientation Course to the District Managers, Secretaries of the District Managers and operational units of the Administrative Pre-deconcentration structure, head of sub-districts, and District Directors (from line sectors) of the Administrative Pre-deconcentration Structure was presented

### **4.3. Signing of MoU between UNDP and SEFI on Capacity Development Programme for Administrative Pre-deconcentration Structure**

Following the country wide Prime Minister led decentralization consultation during 2013, UNDP was requested to support the Government of Timor-Leste, the Secretary of State for Institutional Strengthening (SEFI) RDTL, on Administrative Pre-deconcentration Capacity Building.

The first pillar of the two pillars Administrative Pre-deconcentration capacity building strategy, plans and contents were designed and approved end of last year. During early February to end of March this year, a one week orientation course of the first pillar Administrative Pre-deconcentration capacity building to the Thematic Coordinators and a three weeks orientation course to Administrative Pre-deconcentration capacity building resource persons.

A Cost-Sharing Agreement between the Government of Timor-Leste and UNDP was, further, developed and signed on 14 March 2014 for technical support in Administrative Pre-deconcentration Capacity Building including procurement of goods and services relevant to Administrative Pre-deconcentration Capacity Building.

The launch of the Administrative Pre-deconcentration capacity building is scheduled to take place from July this year onward in alignment with the Government's decentralization plan.

## **5. Support and implement communication and outreach initiatives**

For the reporting period, the LGSP team drafted, published and distributed two (2) editions of the bi-monthly bulletin covering the months from November to December 2013 and January to February 2014. The topics covered included: the finalisation of Oecusse' and Viqueque' DSDP pilot, the benefits of the community training centre in Bobonaro district, water distribution system project in Baucau districts, and the meeting conduct by MSA with the 13 districts Administrators.

Additionally, the third radio program was aired by local radio stations. The final editions of the quarterly radio programs covering the months of October to December 2013 were also approved and aired by local radio stations. The final radio program is focused on the finalisation of Oecusse District Strategic Development Plan, and comments from project beneficiaries in Baucau and Bobonaro districts.

LGSP also re-started its support to regularly update information into the MSA website although the plan for re-structuring the website itself has not taken place.

## **6. Other Support to the MSA**

### **6.1. Approval of the Decree Law on the Financial Incentives for Community Leader**

At the request of the Director General for Local Development of MSA, the LGSP team has been supporting the National Directorate for Community Development and Suco Support (DNDCAS) in the policy and legislative drafting of the financial incentives for the community leaders, including its

financial management system.

The new decree law that substitutes the previous decree law aims to clarify and define subsidy or incentives and other benefits that will be received by the community leaders as well as to define the financial management rules and procedures applicable both at the national and local level. In addition the decree law also defines the responsibilities of the suco leaders in regard to the management of the suco's material resources, i.e. suco's assets and office equipment.

The decree law was approved by the Council of Ministers on the 28<sup>th</sup> of January 2014, and published in the official as Decree Law N°.6/2014 of 26<sup>th</sup> February.

## **6.2. Submission of draft ministerial decree on the Financial Incentives for Community Leader**

Subsequent to the approval of the decree law, the LGSP team continued to provide support to the MSA in the drafting of the subsidiary legislation and the guidelines for the implementation of the financial management of the Community Leaders' Financial Incentives.

An initial draft of the decree and the guidelines has been presented to the Consultative Board of Directors of the MSA for consideration. It is expected that this decree will be approved by the Minister of State Administration within the following quarter of this year.

## **Output 3: Project Management Support**

### **3.1. Project Staff**

During the first quarter of 2014, a project staff (UNV IT Adviser) has ended his contract in early February. The current IT technical support to both MSA and LGSP is now fully backstopped by the LGSP national IT officer.

## **IV. Challenges and Lessons learned**

### **Challenges & Lessons Learned**

#### *Challenges:*

- At the national level, there is need for more predictability of budget allocations over the years and the final inclusion of project proposals in the State Budget. The Parliament's decision not to allocate any funds to new PDID projects in 2014 impacted the outcome of the planning process as there was no budget allocation for the planned projects. While LGSP has an invited space for continuing to support the work of the MSA, it has little leverage with respect to other involved institutions (over which the MSA itself has limited leverage).
- Technical capacity in planning and project design at the national and local level requires further strengthening.
- The approval of the public tender modality, with an initial pre-qualification of companies under the new PDID Procurement Decree Law will bring new challenges to the local construction companies and district administration staff. LGSP is preparing a manual for the implementation of the procurement process to facilitate the district staff and plans to provide training at national and local level before the new procedures start.
- The recently approved decree law that foresees the introduction of Administrative Pre-deconcentration structures that are still to be put in place, and the announced change in government expected to take place during 2014 could impact the pace of implementation of the new Administrative Pre-deconcentration structures.
- The proposed Administrative pre-deconcentration structures also require a coherent framework that links them to the PDID. In particular, it will be necessary to define whether the PDID will continue to be the key government instrument for Local Development, and how will it need to evolve in order to become the backbone of the development budget of future municipalities.

#### *Lessons learned:*

- The quality of the planning process at the sub-national level is improving year after year: although there are not yet functioning M&E mechanisms for the PDID, indications are that sucos and sectors are submitting better proposals and that the district committees are starting to submit better designed projects and BoQs. Also the prioritization process at the sub-district and district levels follows clearer criteria, based on an analysis of the real benefits of each proposal and on the quality of its technical design.

- The recently introduced revisions to the PDID planning process should further improve the quality of planning at the sub-national level.
- In order to have the commitment and full participation of all line-ministries in the PDID planning process, it is important to maintain a continuous process of communication and socialization between sectors. MSA wishes to reactivate regular interministerial meetings regarding the PDID as well as the PNDS. These meetings will aim to strengthen the coordination and collaboration between central ministries and harmonize actions regarding the local development needs and policies.



## V. Financial Overview

The Program is funded by the Government of Ireland through Irish Aid, the Government of Norway, UNDP and UNCDF. The Government of Timor-Leste also provides parallel funds to the Local Development Program (LDP), one of the LGSP components.

### 1. Financial Expenditure

The cumulative project expenditures at 31 March 2014 is US\$ 325,889.60, by which UNCDF reported expenditure of US\$ 116,231.10 and UNDP reported expenditure of US\$ 209,658.59. The detail of the expenditure is summarized in the following table.

Table 9: Total Expenditure by Category as of 31 March 2013

Agency	Project ID	Donor Code	Budget 2014	Expenditure	Balance
UNDP	00053898	Irish CSA (00134)	160,840.00	115,919.89	44,920.11
		Norway CSA (00187)	15,302.00	6,203.00	9,099.00
		MPTF/JPAA (10714)	449,169.00	54,165.02	395,003.98
		TRAC (00012)	100,000.00	33,370.68	66,629.32
	Sub-total		725,311.00	209,658.59	515,652.41
UNCDF	00069506	MPTF/JPAA (10714) (Govt. of Norway)	42,551.74	-	42,551.74
		00054392	MPTF/JPAA (10714) (Irish Aid)	323,817.89	116,231.10
	Sub-total		366,369.63	116,231.10	250,138.53
Grand total			1,091,680.63	325,889.69	765,790.94

## Annex 1- 1

Table 10: List of LGSP Staff as of 31 March 2014

Title	Name	Month of Start/ Continuation of Contract											
		J	F	M	A	M	J	J	A	S	O	N	D
Chief Technical Advisor	Alessandro Righetti	x	x	x	x	x	x						
Legal Advisor	Rita Almeida Sutil Roque	x	x	x	x	x	x						
LDP Coordinator	Ana Maria dos R. de Carvalho	x	x	x	x	x	x						
Planning Officer	Mario Ramos de Carvalho	x	x	x	x	x	x						
Finance Officer	Domingas Marques G. Ferreira	x	x	x	x	x	x						
Planning/Infrastructure Technical Officer	Adylson da Costa	x	x	x	x	x	x						
Planning/Infrastructure Technical Officer	Nelson P .Vicente	x	x	x	x	x	x						
Planning/Infrastructure Technical Officer	Domingos Villanova	x	x	x	x	x	x						
Planning/Infrastructure Technical Officer	Gil Samba	x	x	x	x	x	x						
Policy and Legislation Coordinator	Domingos Soares	x	x	x	x	x	x						
Communication Associate	Cecilia Tilman Goncalves	x	x	x	x	x	x						
Operations Manager	Liboria F. Savio	x	x	x	x	x	x						
Project Officer	Domingos Mesquita	x	x	x	x	x	x						
Admin and Finance Assistant	Angelina dos Santos Gusmao	x	x	x	x	x	x						
International Training Consultant													
International UNV IT													
International UNV	Mohammad Karbo												
Driver Coordinator	Florentino Rodrigues	x	x	x	x	x	x						
Driver	Juvenal N.T. Alves	x	x	x	x	x	x						
Driver	Antonio M.T. Smith	x	x	x	x	x	x						
Driver	Elizario Fonseca	x	x	x	x	x	x						
Driver	Salvador A. Alves	x	x	x	x	x	x						
Cleaner	Domingos Pinto	x	x	x	x	x	x						