

**REVISED STANDARD JOINT PROGRAMME DOCUMENT**

**Cover Page**

Country: Timor-Leste

Programme Title: Local Governance Support Programme (LGSP) II (extension)

Joint Programme Outcome(s): \_\_\_\_\_  
 JP Outcome: Increased capacity for efficient, accountable and gender-responsive delivery of services by local administrations

Programme Duration: 2 years  
 Anticipated start/end dates: Jan 2012-Dec 2013  
 Fund Management Option(s): Parallel for UNDP and UNCDF core funds; Pass-through for third party contributions  
 Managing or Administrative Agent: UNDP

Total estimated budget\*: \$17,202,600.00  
 Out of which:  
 1. Funded Budget: \$14,535,600.00  
 2. Unfunded budget: \$2,667,000.00  
 \* Total estimated budget includes both programme costs and indirect support costs

Sources of funded budget:

- Government (Parallel) \$12,600,000.00
- UNDP \$ 200,000.00
- UNCDF \$ 200,000.00
- Irish Aid \$ 1,477,600.00
- NOR \$ 58,000.00

**Names and signatures of (sub) national counterparts and participating UN organizations.**

UN organizations	National Coordinating Authorities
<p>Ms. Mikiko Tanaka/Country Director</p>  <p>Signature United Nations Development Programme</p> <p>Date <u>27/1/12</u> David Morrison, Executive Secretary</p>	<p>Arcangelo Leite, Minister</p>  <p>Signature Ministry of State Administration and Territorial Management</p> <p>Date <u>30-01-2012</u></p>
<p>Signature </p> <p>UN Capital Development Fund</p> <p>Date</p>	

## **Acronyms**

AA	Administrative Agent
ADB	Asia Development Bank
AF	Asia Foundation
AusAID	Australia Government's overseas aid programme
BOSS	Business Opportunities and Support Services
DNAF	National Directorate for Administration and Finance
DNAL	National Directorate for Local Administration
DNDLOT	National Directorate for Local Development and Territorial Management
DNPAGE	National Directorate for Monitoring, Planning and External Relations
IGFT	Inter-Governmental Fiscal Transfers
ILO	International Labour Organisation
INAP	National Institute for Public Administration
JP	Joint Programme
LDP	Local Development Programme
LGSP	Local Governance Support Programme
MSATM	Ministry of State Administration and Territorial Management
PFMCBP	Public Financial Management Capacity Building Programme
SDP	Strategic Development Plan
UNCDF	UN Capital Development Fund
UNDP	UN Development Programme
UNMIT	UN Integrated Mission in Timor-Leste
WB	World Bank

## **Joint Programme Document Outline**

### **1. EXECUTIVE SUMMARY**

Following a quarter century of Indonesian occupation and a three-year transitional period under UN administration, Timor-Leste became independent in 2002. The country's current population of 1.1 million people is one of the fastest growing in the world with an approximately 74% of the total population still living in rural areas. Timor-Leste remains the poorest country in South-East Asia with 41 percent of the total population living under the poverty line (2009). Significantly increased Government budgets and overall investments have contributed to positive poverty reduction over the past few years, however at the same time one has seen a sharp rise in income inequality and an uneven social and economic development.

The Government recently published the Strategic Development Plan (SDP) 2011-2030 which was approved by the National Parliament in July 2011. It provides the vision and goals for the development of Timor-Leste for the next twenty years. A key part of the plan is the role of rural development and the need to promote local institutions across the country to achieve overall poverty reduction and improved service delivery. This vision is very much in line with the objective of this programme extension.

The Local Governance Support Programme (LGSP) II builds upon the achievements of three previous projects in the area of decentralization and local governance. LGSP II has the primary objective of supporting the development of an accountable and effective local government system in Timor-Leste. In particular it focuses on improving local capacity to deliver services at the local level through improved capabilities in planning, budgeting, and implementation of infrastructure and service delivery in addition to ensuring that increased levels of responsibilities and funding are channeled from central to district, sub-district and community levels. The strategy aims at improved focus on the rural poor, greater allocative efficiencies, better implementation arrangements, enhanced responsiveness, and increased citizens' participation in the overall local decision-making development processes. Through achieving its primary objectives, LGSP II will thus contribute towards improving infrastructure and service delivery and reducing poverty.

The LGSP extension phase will begin in 2012 and operate until 2013.

## **SITUATION ANALYSIS**

Following a quarter century of Indonesian occupation and a two and a half year transitional period under UN administration, Timor-Leste became independent in 2002. The country's current population of 1.1 million people is one of the fastest growing in the world, with an annual growth rate of 2,4 per cent. Approximately 74% of the total population live in rural areas, and of those living in urban areas 64% live in the capital Dili. Timor-Leste remains the poorest country in South-East Asia with 41 percent of the total population living under the poverty line (2009) and with an annual per capita income of \$620.

Despite recent gains in human development, the 2010 HDI placed Timor-Leste in the medium human development category with a ranking of 120 out of the 169 countries given an HDI of 0.502 which is below the average HDI of 0.650. In addition, much of this progress is attributable to increases in per capita income largely based on the significant increase of oil revenues and to a lesser extent to other non-income areas. Life expectancy remains low at an average 62 years old, and although both infant and maternal mortality rates show a relative improvement, 44 per 1,000 live births in 2009 and 308 deaths per 100,000 live births in 2010, respectively the figures remains high compared to other countries in the region. Adult literacy rate remains low and only 58% of adult Timorese can read and write. Significantly increased Government budgets and overall investments have contributed to positive poverty reduction, however at the same time one has seen a sharp rise in income inequality and an uneven social and economic development between the capital and rural areas where almost three quarter of the population lives.

The Government recently published the Strategic Development Plan (SDP) 2011-2030 which was approved by the National Parliament in July 2011. It provides the vision and goals for the next twenty years. A key part of the plan is the role of rural development and the need to promote local institutions across the country to achieve overall poverty reduction and improved service delivery. This vision is very much in line with the objective of this programme extension.

### **Timor-Leste Strategic Development Plan 2011-2030**

*Decentralisation policies will also assist the development of the private sector in rural areas. Decentralisation aims to promote the institutions of a strong, legitimate and stable state across Timor-Leste, create opportunities for local democratic participation by all citizens and establish more effective, efficient and equitable public service delivery to support the nation's social and economic development.*

*The introduction of a new tier of municipal government is one way to achieve these objectives. Existing administrative jurisdictions at the sub-district and district levels will be merged to form new consolidated and efficient administrative units with representative assemblies at the present district level. These units will be better placed to deliver appropriate services to local citizens and will have sufficient capacity to perform their functions.*

Statements made in the SDP shows that the government of Timor-Leste remains committed to moving towards a decentralized public administration system as enshrined in Article 5 of the Constitution. Both the former and the present Government have explicitly expressed their resolve to uphold this commitment. The approval of a national decentralization policy and decentralization road map and the submission of a set of three local government bills to the National Parliament are substantial milestones in this process and much of the ground

work has already been done. In April 2010, a decision was taken by the GoTL to postpone the municipal elections, scheduled for mid-2010, until 2013/14, following national elections in mid-2012. This postponement means that the anticipated local government reform process will take longer than initially anticipated.

The introduction of new and expanded local development initiatives in the absence of policy clarity poses a challenge for framing coherent capacity development strategies and institutional support mechanisms. In 2010 the Government also introduced the Decentralized Development Package (DDP),<sup>1</sup> whereby approximately USD 31 million was allocated through the mid-year rectified state budget to be implemented by the District Administrations. Subsequently, through new guidelines issued in 2011, the DDP was divided into two funding pools.<sup>2</sup> These new guidelines established DDP I and DDP II, with the Ministry for State Administration and Territorial Management (MSATM) given full responsibility for delivering DDP I, as well as the responsibility to provide planning and implementation support to DDP II. This was a clear acknowledgement by the central government of the experience and expertise that the MSATM has developed through the Local Development Fund (LDF), which was piloted in 8 districts and scaled up in 2010 to a full national programme providing grants to all 13 Districts. Although both DDP I and II make use of the district financial management system developed under the LDP and some aspects of its planning and implementation processes, the two systems differ greatly, particularly with regard to top-down versus bottom-up planning, procurement systems, decision-making mandates and capacity development objectives. The existence of parallel processes and differing regulatory frameworks has created considerable difficulties at both the local and the national levels. In response, in late 2010 MSATM commenced preparing a decree-law to integrate the local planning and implementation systems in an attempt to streamline processes, plans, budgets and implementation modalities of capital investments funds. This integration framework builds on the experiences and lessons learned from the LDP and thus have the potential to safeguard principles of good governance such as participation, transparency and accountability.

The establishment of the DDP, while introducing a number of challenges, also provides a window of great opportunity. The DDP I, in particular, marks an important step towards establishing a substantive discretionary district budget allocation from the state budget and should therefore be seen as the successor to the original Local Development Fund (LDF) piloted through the LDP, which represents the first grant transfer modality in independent Timor-Leste. To date, a lot of work has been done to safeguard oil and gas royalties, which are the main source of revenue for the national budget. However, the strengthening of mechanisms for funds allocation, local PEM/PFM, performance-based incentives, community involvement, oversight and redress, in addition to a renewed emphasis on institutional capacity development strategies to manage decentralized fiscal resources at all levels, are essential to achieve the overarching objectives of improving local service delivery and facilitating inclusive local development. In 2011, the combined budget of DDP 1 and LDF allocations under the MSATM sums US\$ 19 million, corresponding to 1,4% of the National State Budget (2011).

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<sup>1</sup>Decree Law # 2/2010, 18 February "Journal da Republica"

<sup>2</sup>Decree-Law # 18/2011, 6 May "Journal da Republica". The law establishes two funding pools: DDP I's, which is directed to all capital investments under US\$150,000, and is under the responsibility of MSATM; DDP II's, which is directed to all capital investments between US\$150,000-500,000, and is under the responsibility of the National Development Agency (NDA).

## **2. STRATEGIES, INCLUDING LESSONS LEARNED AND THE PROPOSED JOINT PROGRAMME**

### **Background/context:**

The decentralization process in Timor-Leste was initiated with the establishment of an Inter-Ministerial Technical Working Group in 2003, charged with making recommendations on different options for decentralization. The working group involved members of all ministries under the leadership of the MSATM. Based on the Local Governance Options Study (LGOS), which outlined six possible options for decentralization in Timor-Leste, the government decided to proceed with the establishment of municipalities.

Decentralization reforms have evolved ever since, resulting in the approval of a national decentralization policy and decentralization road map, as well as the submission of a set of three local government bills to the National Parliament. Throughout this process, lessons learned from the Local Development Programme (LDP) pilot have been fed systematically into the policy process while local capacities have been developed through the implementation of the Local Development Fund (LDF).

The Local Development Program (LDP), which commenced as a pilot program in 2004 and has since been integrated into the wider LGSP, has played a crucial role in moving the local development agenda forward. The objective of the LDP was to test a decentralized service delivery model that provided for local discretionary block grants and local decision-making powers. The aim has been to strengthen local capacities, ensure community participation in government decisions, and generate practical and relevant policy lessons leading to the promotion of an effective, transparent local governance system, which is responsive to citizens' needs in terms of local development priorities. The LDP is the longest operating local development programme in Timor-Leste. The programme has been very successful in building a sustainable model which is fully integrated in the Government system. The national scale-up of the LDP to all 13 districts in 2010, the level of ownership by the Government at all levels, and the commitment by Government of own resources to LDP budget allocations provide clear evidence for this assessment.

This process has benefited from the continuous support provided by the joint UNCDF-UNDP Local Governance Support Program (LGSP), supported by Irish Aid and the Government of Norway, both at the policy level and at the implementation level. LGSP has the primary objective of supporting the establishment of a local government system in Timor Leste by: (i) providing policy-relevant lessons from pilot activities, (ii) assisting the government in formulating a comprehensive legal and regulatory framework for local government, (iii) establishing and testing local Public Expenditure Management (PEM) and Financial Expenditure Management (FEM) systems, (iv) strengthening government capacities for local service delivery, (v) building systems for community involvement and participation in local decision-making processes and (vi) supporting implementation of local government reforms. Through these activities, LGSP thus contributes towards improving local infrastructure and service delivery, as well as reducing poverty.

**WB evaluation report**  
**Community based development and infrastructure in Timor-Leste – Past experiences and future opportunities**

*“[...] LDP’s achievements to date are impressive. The overall public perception of LDP appears to be positive. Skills such as advocacy, lobbying, negotiation and facilitation are being learned. Debate does take place and citizens feel free to voice their opinions in public forums thus building a modicum of mutual trust between citizens and the state. Improvements can and should be made but there is cautious optimism that the program can continue to serve as a model for decentralization. If momentum can be sustained, LDP represents important if still early steps in enhancing state-citizen linkages.”*

WB report (2010) funded by AusAID

With the five-year LGSP program period coming to an end in December 2011, UNDP-UNCDF and other development partners have been requested by the Government to continue their support to MSATM and to the overall decentralization and local development agenda in Timor-Leste. The purpose of this document is to outline a framework for an extension of the programme, hereafter referred to as “LGSP II”, which reorients the interventions and strategies of the current LGSP (“LGSP I”) to respond to the new policy environment. Considering the upcoming 2012 national elections, the still largely undefined local government framework and the current UNDAF cycle (2008-2013), it has been decided to extend LGSP I for a period of two years, from January 2012 to December 2013. A longer-term strategy for supporting decentralization, local governance and local development in Timor-Leste will be then formulated when governmental policies are further defined, presumably after the 2012 national elections for a longer five year period 2014-2018.

The next two years are likely to represent a turning point in determining future policy directions for local development in Timor-Leste. More specifically, the degree to which MSATM can successfully integrate the local planning and implementation systems, and do so in a way that demonstrates the benefits of participatory and transparent processes, may have broad consequences. Whilst strides have been made since independence, much remains to be done to ensure that the benefits and proceeds of growth are spread to all parts of the national territory. One way to encourage this is through empowering local institutions to become the agents of -Timor-Leste development, which will consolidate the establishment of a mature and stable State that is able to meet the challenges of enabling the peaceful economic and social development of Timorese citizens. A focus on the institutional strengthening of MSATM and the local administrative levels to respond to these challenges and to engage and coordinate effectively with other sectors, ministries, and stakeholders at both the national and sub-national levels is therefore timely. Against this backdrop, UNDP-UNCDF are committed to supporting MSATM in addressing the challenges of integrating LDP with newer policy initiatives, and of improving delivery of local development initiatives.

### **Lessons from LGSP implementation**

#### **A few lessons of caution:**

- The Decentralization process is taking much longer than anticipated;
- Capacity is slowly increasing, however there is still a need for capacity development initiatives;
- Local level administration and processes still need to be closely monitored;
- Women continue to face considerable obstacles in “voicing” themselves and in articulating their specific needs despite affirmative actions taken;
- Local representatives are not engaging with their constituencies as desired;
- Shortages of technical staff in more remote areas can sometimes compromise the quality of local planning and implementation processes;
- Local communities are not as involved in local oversight as envisaged.

#### **A few lessons of optimism:**

- Final plans and budgets are still highly influenced by community needs, which is a result of an effective “bottom-up” planning process;
- The local administrative and sector department staff remains highly committed to the process and continue to provide significant support;
- Local level is able to make difficult and rational decisions about priorities within the hard budget constraint of their annual block grants;
- Despite the absence of ex-ante controls, local investment priorities have been entirely consistent with poverty reduction and the MDGs;
- Procedures for local-level procurement have proven sound and effective;
- Human resource capacities – provided that appropriate support is provided and procedures are clear– can be developed to handle local planning, budgeting and implementation;
- The capacity of central Government staff in dealing with policy issues have increased;
- Overall, the role of the LGSP in simulating potential policy innovations at local level, and in promoting a decentralisation policy agenda, has been fully endorsed by central government authorities.

### **THE PROPOSED JOINT PROGRAMME:**

The specific objective (impact) of the programme is improved local capacity to deliver basic services in rural areas, particularly to poor communities. Endowing local government bodies with greater responsibilities for planning, budgeting, and implementation of infrastructure and service delivery with an increased emphasis on capacity development, would result in improved services delivered to the rural poor, in addition to greater allocative efficiencies, better implementation arrangements, enhanced responsiveness by the local government, and increased participation of the overall communities in the local development process.

The independent LGSP mid-term review report gives a very positive picture of overall achievements of the LGSP to date. In fact, the report states that the project has far surpassed expectations in terms of its performance towards achieving the objectives of output 1 (Local Development Pilot) and that the activities under output 2 have (Policy and Legislation) significantly helped the government in establishing a solid policy framework for



decentralization. However, the report also made some interesting recommendations which have been incorporated in the design of LGSP II, including:

- Increase focus on capacity development,
- promote gender equity and women's empowerment in local processes,
- ensure that minimum quality standards are met in terms of infrastructure, operations and maintenance,
- further strengthen downward accountability from the district to community level, and
- continue to work at refining subsidiary legislation and to provide other technical support to advance the decentralization legal framework

### **UNDP and UNCDF Comparative Advantage**

The UN system is committed to the Millennium Development Goals and to Aid Effectiveness (Paris Declaration and Accra Agreement). Within this context, UNDP and UNCDF will continue their joint programme support, drawing on their respective comparative advantages which in partnership create added-value for achieving the overall objectives of the programme.

The proposed intervention draws on UNDP's recognised core mandate in the areas of capacity development, democratic governance and policy development, which synergizes with UNCDF's specialized expertise in local governance/public local government finance, improved access to social services, investment capital support and fiscal decentralization. In addition, UNDP's operational structure and capacity building expertise in Timor-Leste, combined with UNCDF's in-house technical capacity on Local Governance/Local Government Finance and Local development, will further support this delivery model. This partnership is a preferred delivery model which is being successfully implemented in more than 20 least-developed countries (LDCs) around the world.

The method of implementation will also support donor harmonization in particular to technical assistance and capacity development, as the interventions will be a partnership key donors involved in local governance in Timor-Leste (UNCDF, UNDP, Irish Aid and the Government of Norway).

### **UNDP and UNCDF roles and responsibilities within the project**

UNDP will take the lead in supporting the Government for the implementation of activities related to the promotion of democratic governance, local governance, participatory development, capacity development and women empowerment. Where technical areas overlap with the areas of expertise of UNCDF, UNCDF will provide technical support as required, in particular in terms of international technical assistance.

UNCDF, given its specific capital investment mandate, will ensure support to Inter-Governmental Fiscal Transfers (IGFT) and overall fiscal decentralization aspects, and the development and delivery of performance based grant systems to local government institutions. This support will also entail overall support to PEM/FEM systems and policy promotion related to these areas. Where technical areas overlap with the areas of expertise of UNDP, UNDP will provide technical support as required.

### **LGSP cooperation and coordination with other co-related Programmes**

The programme will also seek to cooperate and coordinate its interventions with other partners, which may include but is not restrictive to:

***Asia Development Bank (ADB)'s Capacity Building to Strengthen Public Sector Management and Governance Skills programme***, which focuses on building institutional capacities for improved delivery of public services. The programme is working at enhancing professional competencies in the civil service system, particularly at level of sub-national units of government, in addition to developing the capacity of the National Institute for Public Administration (INAP) to provide high quality education and training programs. Coordination with this

programme on key capacity development interventions will be important for a consistent and coordinated CD framework.

**AusAID's Public sector capacity development program** has supported INAP to prepare and deliver training modules in public service skills for administrative and senior management staff through the training of twenty five trainers to deliver these modules which are expected to benefit 1,000 public servants in 2011. As with coordination with the above ADB funded programme, LGSP II will ensure interventions are well coordinated and complementary to this programme.

**International Labour Organisation (ILO)** has an interesting on-going programme called **Business Opportunities and Support Services (BOSS) financed by Irish Aid**, which supports the Institute for Business Support (IADE) and the National Directorate for Rural Development (NDRD) of the Ministry of Economy and Development. The aim of this programme is to boost local economic development, enhancing Government service delivery and creating quality employment in rural areas by expanding market access for MSEs, strengthening local contractors and improving the provision of business development services. The interesting component for LGSP is the programme support to train local contractors in procurement and tender procedures.

**UNMIT Democratic Governance Support Unit (DGSU)** is producing a monthly Local Governance report based on monitoring reports gathered by their district based field staff. In terms of M&E and MIS issues it may be of interest to coordinate information gathering at the district level.

**World Bank's Public Financial Management Capacity Building Programme (PFMCBP – 2006/2011).** Irish Aid supports the Ministry of Finance through the World Bank's PFMCBP focused on improving the quality of its financial management through capacity-building, training and mentoring to improve the Ministry of Finance's macro-economic management, leadership of the national budgeting process and revenue collection capabilities. This programme is of course important for several reasons for LGSP considering the key strategic intervention on IGFT, formula based allocations, procurement and local finance management. Full cooperation and coordination on both national policy initiatives and local implementation modalities is needed for LGSP to succeed.

### **Sustainability of results**

The aim will be to create a model for effective public service delivery through the transfer of discretionary fiscal resources to local governments/institutions, ensuring a high level of accountability and citizen participation as well as sustainable local development outcomes. This will be achieved by; 1) working to improve a complete and interrelated module and not isolated interventions; 2) by strengthening the present legal and regulatory framework such as improving the integrated development planning systems and PEM/PFM systems for local government reform and improved local level service delivery, thus making development activities delivered at the local level more sustainable and impactful; and 3) Working through national and sub-national structures will ensure sustainability and Government ownership of the process. A framework for capacity development aiming at improving overall institutional and individual capacity will be key to achieve this. The support to the establishment of a national M&E framework and a MIS will ensure a sustainable enhancement of national and local capacities to exercise monitoring and backstopping functions, to make use of strategic information for management purposes and to enable the Ministry of State Administration to monitor the performance of local service delivery and the programme implementation.

### **3. RESULTS FRAMEWORK**

The Local Governance Support Programme (LGSP) II is an extension of the current LGSP which will be completed in December 2011. As such, LGSP II will:

- support the implementation of improved local governance and local development procedures and processes in order to ensure increased participation in local decision-making processes, effective and efficient local-level infrastructure and service delivery (ISD) through expanded capacity development support;
- support further policy dialogue and direct technical assistance, with the objective of establishing an appropriate, comprehensive and gender-responsive institutional, legal, and regulatory framework for local government / local service delivery by the Government, with citizen participation in local decision-making processes and implementation of local development initiatives. These should be based on international best practice and on policy relevant lessons generated from the Timor-Leste context and experiences.

#### **Goal and purpose:**

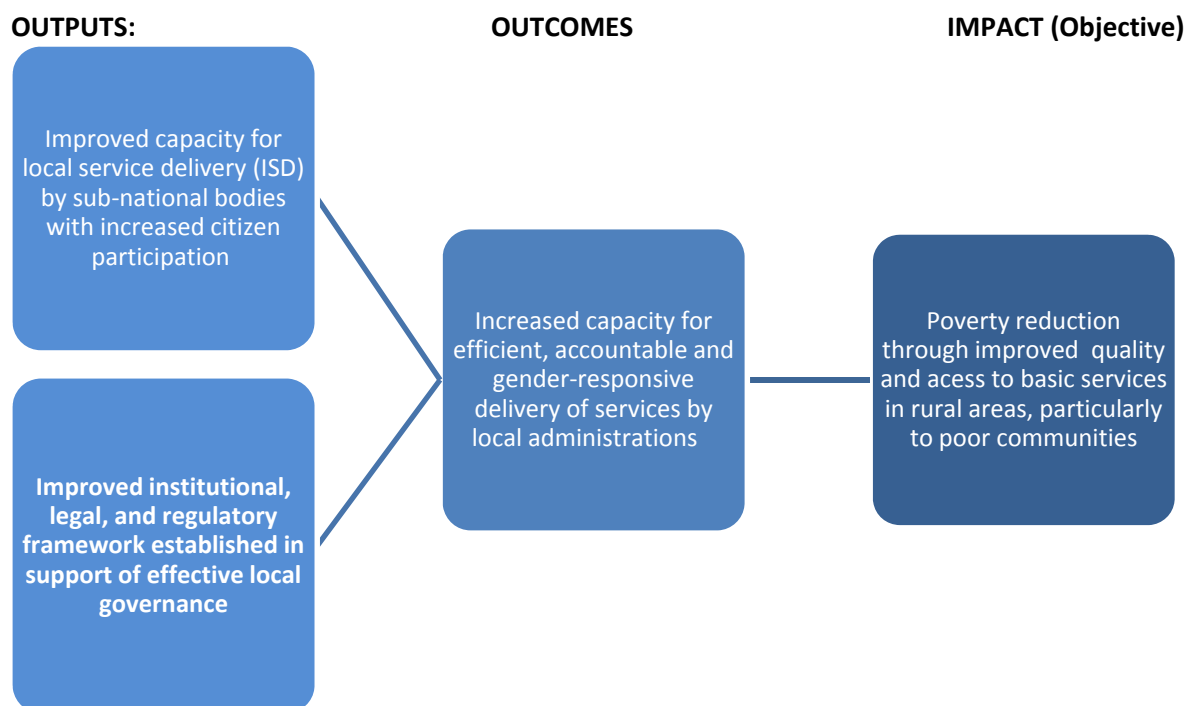
The over-arching goal of LGSP II is to contribute towards poverty reduction in Timor-Leste through improved local capacity to deliver basic services in rural areas, particularly to poor communities. The specific outcome for this programme is:

- Efficient, accountable and gender-responsive delivery of services by local administrations

This outcome is linked to and will specifically contribute to the following UNDAF outcomes:

- UNDAF Outcome 1: By 2013, stronger democratic institutions and mechanisms for social cohesion are consolidated
  - CP Outcome 1.1 State organs and institutions are more efficient, transparent, accountable, equitable and gender-responsive in planning and delivery of services

The following result chain will apply for this programme document:



#### 4.1 OUTPUTS

While the three overarching outputs presently outlined in the LGSP project document are still valid, this revised document will not pursue the original output three: “*Support is provided to GoTL for the implementation of local government reforms*”. This is in consideration of the limited timeframe of this programme extension, but also of the announced postponement of municipal elections until after the general elections scheduled for 2012. However, output two is designed to enable the programme to fully support the Government in preparations for implementation of local government reforms when and if these are approved by the National Parliament.

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

This output closely mirrors the objectives and approach of Output 1 as framed in the LGSP I project document. As such, this output will build on the support provided through the LDP since 2004 to develop the processes and systems (including local planning; financial management; procurement; monitoring) that underpin a local governance system which can effectively deliver services and promote local development. However, LGSP II will look to incorporate the best practices introduced through the LDP into new government initiatives such as the DDP.

While output 2 of LGSP II is focusing on support to policies, systems and legislative development, output 1 focuses on actual implementation. The two outputs are closely linked and the coordination and integration of strategies developed within each output will be key to successful implementation. LGSP II is committed to providing an institutional and comprehensive approach to capacity development to enhance local systems, and much of this will be delivered through Output 1 activities. It has been widely recognized that the learning-by-

doing approach to capacity development that was introduced during the LGSP I has been able to achieve much in terms of strengthening functional capacities at the local level, as well as strengthening capacities for local decision-making and stakeholder engagement. LGSP II will continue to support MSATM in the provision of capacity development support to districts, sub-districts, and villages in such functional areas as participatory planning, financial management, and procurement, in addition to technical capacity development support to DNDLOT to enable it to deliver on its mandate.

Under Output 1, there will also be a focus on capacity development to strengthen overall coordination and accountability mechanisms. This will include supporting effective institutional arrangements and coordination mechanisms horizontally with other sectors to improve service delivery. Although the assignment of more responsibilities and decision-making power at the local level is a positive development, it is also important to ensure that sector priorities, policies and strategies are considered and implemented. In particular, establishing linkages between local needs and national policies, and between capital investment and recurrent appropriations, will be key to ensuring that the system functions effectively. The opportunity lies in broader cross-sectoral discussions and engagement which will open a new channel for both horizontal and vertical cooperation.

To further enhance accountability and transparency mechanisms the programme will support the development and piloting of a Performance Based Grant System (PBG) which will be closely linked to a demand-driven capacity development grant that districts can access in order to respond to the needs identified during the performance assessment. This system will be closely linked to the development and implementation of a unified M&E system within MSATM, including the District Administrations, to track the use of public funds and the local development and progress on projects and services delivery initiatives led by the MSATM. These systems aim at increasing the capacity of the Ministry to monitor and evaluate performance of key local (District and Sub-district Administration) and central institutions, as well as to evaluate the results of decentralized fiscal resources and investments at the local level to steer management decisions for further system refinement and policy development. To facilitate this process, close links will have to be made with the Inspector General's office within MSATM, and support to internal audit mechanisms will have to be considered.

To date community participation in local decision-making processes has been a strong feature of LGSP, with clear mechanisms of community involvement in local level planning, decision-making power in local assemblies and in oversight functions of implementation of infrastructure development projects ensuring equal gender representation in all processes. LGSP II will continue its commitment to promoting more open, transparent and accountable government processes, with program activities designed to further open the space for citizens to interface with and hold government accountable. Mechanisms for effective citizens' and community engagement in these processes would be further enhanced.

LGSP II should build on the structures already in place to create an enabling environment for an increased community involvement in state processes. The LDP model, now adopted into the planning and implementation frameworks of the Government, provides an ideal vehicle to foster greater community development linked to state actors and budget allocations. The model ensures bottom-up planning, broad community participation through the elected Suco Councils and equal gender representation in all decision-making forums. It should be seen as the key mechanism for streamlining funding to the local level, both in terms of discretionary allocations for local service delivery and for community development in general. The success of the LDP is based on its strategy of using government staff, channelling funds through government structures, and working to develop new systems from within government systems.

In this connection, the LGSP II capacity development support to the Suco Councils will emphasize the communities and councils' involvement in the planning, implementation and oversight of small infrastructure and service delivery projects in their respective communities. In particular, suco development plans that were first

developed in 2010 may now need to be updated and possibly re-designed, to which the LGSP II could contribute both supporting the overall design and by providing training to village councils' member representatives. Regarding the execution of community contracts for infrastructure development, the LGSP II can continue to test the implementation of LDP projects directly by communities rather than by contractors: this may particularly focus on smaller projects in the most remote areas, which are frequently not an attractive option for qualified contractors. Regarding oversight functions, the LGSP II will focus on further strengthening the current LDP procedures that provide for village councils to certify the satisfactory completion of the project before the issue of final payments to the contractor. Support may include CD initiatives such as the LDP learning-by-doing approach, which can be introduced and facilitated at the Suco level. In this way, LGSP II could support the establishment by the Government of a sustainable model for community involvement and the community execution of government grants.

Another critical aspect of LGSP II is its support to more demand-driven and need-based capacity development initiatives by local governments. Demand-driven CD requires baseline information and a standardized approach to assessing capacity needs so that gaps can be identified and CD support "demanded". LGSP II will therefore support the design and rolling out of an appropriate capacity (self) assessment tool for local level administrations. The introduction of such a self-assessment process not only enables identification of needs, but also provides the foundation for measuring results of capacity development interventions in terms of changes in institutional capacity over time. In addition, the performance-based grant system is a powerful capacity development tool and strategy in itself, as it provides a framework for identifying (and responding to) the specific capacity gaps that underlie substandard performance.

The activities that LGSP will undertake in order to deliver Output 1 are as follows:

- continued support to implement PEM/PFM (including auditing procedures) linked to fiscal decentralization of state finances, overall improvements of local service delivery and local development by local decision making bodies and local administrations with links to the Suco structures; O&M arrangements; and M&E of public expenditures and local development through citizens 'engagement. This activity will focus on strengthening the capacity of individuals and institutions to enable them to fulfil their mandates through strengthening of systems and procedures.
- introduction and support implementation of specific capacity development activities which target female members of local decision-making bodies in order to enhance the quality of their participation in deliberations and to ensure that gender issues are incorporated into the local decision-making process;
- introduction of measures to improve the levels and quality of participation in Suco Councils and other local decision making processes;
- introduction of capacity development support for Suco Council members, intended to make them a more effective institution at the local level and thus more capable of interacting effectively with local decision making bodies in the District. This will include supporting the development of capacities to organize the communities in order to jointly prepare and update Suco Development Plans, and to facilitate their incorporation into sub-national and national planning processes; it will also include developing the capacity of communities to implement community contracts, and to provide greater oversight to the projects that are implemented by contractors.
- introduction and support implementation of measures aimed at enhancing citizen engagement with Suco Councils and local decision making bodies and oversight processes so as to improve participation and accountability;

- support to strengthening of downward information flows at the sub-national level (from Assemblies to Suco Councils and from Suco Councils to citizens); strengthening coordination and information flows between the national to the sub-national level (between MSATM and districts);
- support design and piloting of a performance-based funding system, with particular attention to capacity development needs and strategies for improving local government performance;
- introduction of appropriate mechanisms for demand-driven capacity development of local decision making bodies and local administrations, with attention to identifying supply-side options for responding to identified needs;
- introduction and support implementation of robust horizontal accountability mechanisms, with a view to ensuring that local decision making bodies and local administrations interact with sector departments in appropriate ways;
- introduction/refinement and support implementation of reporting and monitoring procedures to allow central government to track the use of public funds at sub-national level and for local level to use information collected as part of their management and decision-making processes;
- strengthening of the M&E function of MSATM (through DNDLOT or DNPAGE) to oversee local level processes, procedures and systems.

One key, cross-cutting, area that will be a focus of Output 1 is the issue of gender as it impacts on the ability of both women and men to participate fully in governance. Good governance can be attained only if gender concerns are addressed. The following inset provides a summary of the kinds of approaches that LGSP II will seek to develop to enhance the quality of women's involvement in local governance whereby women are able to articulate their interests, facilitate the exercise of their rights and obligations to make choices and take up opportunities.

#### **Focus on Gender Equality**

In order to promote a system of good governance, one where both men and women can participate fully, gender concerns must be addressed. Strengthening governance systems at the local level offers opportunities for increased participation by citizens, however, in introducing and strengthening local governance mechanisms for citizen-state interface, it is important to recognize that men and women may not have the same needs and priorities or access to and the ability to act on public information.

Given women's traditional responsibilities in areas such as health, sanitation, and nutrition, it is imperative that they are consulted in the design and implementation of public services. A primary objective of gender mainstreaming initiatives therefore is to ensure that the legal and policy framework and institutional mechanisms for local governance will:

- recognize, protect and promote the political rights of women, on an equal basis with men, to representation and participation, and;
- respond to the different or unique needs of women in the design and implementation of public services.

The programme to date has ensured that women are represented at all level in local decision-making organs, participating in trainings and that gender equality is mainstreamed in all Government regulations supported by LGSP. To strengthen this further, in addition to provide more direct support within the Ministry and more training at the local level, an international gender specialist will be hired to enable the programme to focus on meeting its gender objectives and to establish a clear gender strategy.

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

This output is an extension of the activities included under Output 2 in the LGSP I project document. As such, this output will build on the support provided through the LGOS/LGSP since 2003 which similarly focused on providing overall support to establishing a legal framework for a local government system and improved local service delivery. Although sharing the same purpose as Output 2 in LGSP I, this output in LGSP II will focus less on the anticipated municipalisation process but more on a broader approach to local government and governance reform within the present context in Timor-Leste.

Considering the postponement of full municipalisation there is a need to provide technical assistance and capacity development support during this interim period. As mentioned earlier, the establishment of programmes such as the DDP I and the LDP implied a delegation of responsibilities for the management of fiscal resources to the local level. In reality, this entails local level decision-making by indirectly elected local bodies and decentralized administrative responsibilities which all are important steps towards increased local autonomy.

There is therefore a unique opportunity during the LGSP II program period to continue to build on the significant results achieved through the LDP framework, policy lessons learned, technical work undertaken during LGSP I including revisiting the policy frameworks developed. The approval of an integrated planning and implementation framework will signify formal adoption of the LDP-tested systems and procedures into mainstream Government systems. However, there is a clear need to continue developing and fine-tuning subsidiary legislation for regulating local public expenditure management (PEM) and public financial management (PFM) systems, in addition to continuing to provide support for future policy dialogue and technical assistance for an emerging decentralized local government system in Timor-Leste.

While LGSP II can provide various kinds of technical support, clearly the actual decisions in regard to approving and establishing a new framework and procedures are the sole domain of GoTL and the National Parliament, and hence the specific activities of this output will very much depend on the nature and timing of forthcoming GoTL decisions.

A number of activities have been identified under output 2:

- assist in the revision of the Decentralisation Strategic Framework (DSF) II, which effectively constitutes MSATM's work (or action) plan for the next two to three years in relation to overall support to fiscal decentralization and continued local government reform;
- support the development and fine-tuning of an integrated framework for the inter-governmental fiscal transfer (IGFT) system, local level planning, decision-making and implementation of capital and recurrent resources which is fully integrated into Government procedures/systems and is aligned with the relevant policies and strategies of sector ministries;
- assist in the development of subsidiary legislation to support local level PEM/PFM systems and procedures to enable a consistent local and national framework for efficient and effective management and delivery of state resources. This may entail, but is not limited to:
  - Detailed local level planning framework combining bottom-up and top-down planning tools, moving towards a District Development Plan framework with a three year medium-term investment plan and annual budgets (see annex 4 for more details);



- Revise present local procurement regulations based on the national framework for procurement and lessons from the LDP process;
- Revise present planning regulations to include the possibility to produce and update Suco Development Plans
- Revise present community contracting regulations and clarify oversight mechanisms and technical support at the District level with regard to community contracting;
- Revise the present local level financial management regulations based on the national framework, FMIS integration, and lessons from the LDP process;
- Establish an appropriate financial and process audit framework in cooperation with the office of the Inspector General in MSATM and the Internal Audit Unit in MoF to ensure proper oversight of decentralized fiscal resources (see annex 5 for more details);
- Establish an appropriate M&E framework and MIS system for the MSATM focusing on both procedural and financial activities to ensure adequate monitoring, supervision and mentoring of local institutions, compliance with national reporting requirements and to guide internal management strategies and planning based on accurate information. The system will also need to be managed at the District level to promote its use as a management tool at this level;
- support the development and piloting of a Performance Based Grant System (PBGS) which will provide tangible incentives for local government/institutions to improve their performance by linking their access to grants and/or amounts disbursed to their performance in pre-determined areas. This is an incentive system based on rewards rather than penalties and the aim is to improve performance in key areas such as financial management, planning, good governance, budget execution, downward/upward accountability and adherence to national standards. The PBGS is also a very useful tool for identifying the functional capacity gaps within an institution, as well as for linking the needs assessment with actual supply-side support. The PBGS therefore should be linked to a Capacity Development Grant which is demand driven in nature, focusing on meeting the needs identified through annual Performance Assessments. (see annex 2 for more details)
- assist in the revision of the Capacity Development Strategy (CDS) that was developed in 2009, with a focus on updating the content to reflect the present policy context, and identifying concrete actions and preparatory work that can take place despite the postponement of the municipalisation process. Critical areas to take forward during the LGSP II program period may include, but are not limited to the following:
  - clarify institutional/functional arrangements and accountability/supervision arrangements between MSATM and local administrations and decision making bodies, with a focus on clarifying and rationalizing oversight arrangements between the various MSATM directorates and district/sub-district administrations and staff;
  - clarifying mandates and roles within the government in terms of *providers* of various types of capacity development services within various functional and technical areas to individuals and organizations/bodies at the sub-national level;
  - identify potential synergies with other capacity development initiatives delivered at the local level through programs/projects outside MSATM, with a focus on identifying opportunities for more systematic and regular engagement with sector departments at the district level;
  - develop a tool to systematically assess capacity gaps in specific functional and technical areas of individuals and institutions at the sub-national level, and link this tool to the capacity development components designed as part of the PBGS;
- continued support to overall local government reform processes. This will include:
  - provide legal assistance to support emerging changes in institutional frameworks both at local and national level;

- provide technical input in the design and management of new roles and responsibilities that may be assigned to the Ministry;
  - technical input and recommendation as requested in regard to emerging policies and legislation, including revision of existing policies and legal framework;
  - commence preparatory work for the implementation of municipalities as soon as a firm decision is made.
- support to public information and outreach strategy development and initiatives, in addition to civic education focused activities. Activities will include the following:
    - assist in the development of gender responsive information, education and communication (IEC) campaigns, aimed at providing the general public with basic information about local development initiatives [not sure about this one?], local government reform processes/dialogue, and new institutional arrangements;
    - introduce measures aimed at enhancing citizen engagement with Suco Councils and local administrations and decision-making bodies so as to improve participation and accountability;
    - engage and provide technical support to stronger community feedback mechanisms with the aim of establishing a channel for communication between the state and the citizen;
    - continue support to IEC campaigns about local governance best practice, lessons from the LDP/LGSP are broadly disseminated and that the general public and wider political community are kept abreast of national policy developments;
  - support and strengthen national and local level capacities on gender mainstreaming to ensure and promote gender sensitive policies and strategies. This support will further the goal of the Government in promoting gender equality and the empowerment of women. Key focus areas will include (1) working with the Gender Focal point in MSATM and at the local level, in addition to supporting the emerging gender working groups and liaising between the MSATM and the Secretariat of State for the Promotion of Equality (SEPI), and (2) establishing strategies and providing capacity development support to local bodies to enhance the participation of women in local decision-making (see annex 1 for more details).
  - assist in establishing channels of communication and technical support to enhance horizontal communication and cooperation between MSATM and key line ministries at both national and local level.
  - commissioning/conducting research on issues linked to local governance as needed

Table 1: Results Framework

## Result Framework

Programme objective/impact:										
Programme outcome: Increased capacity for efficient, accountable and gender-responsive delivery of services by local administrations										
Related UNDAF Outcome 1: By 2013, stronger democratic institutions and mechanisms for social cohesion are consolidated										
CP Outcome 1.1: State organs and institutions are more efficient, transparent, accountable, equitable and gender-responsive in planning and delivery of services										
JP Outputs  (Give corresponding indicators and baselines)	Participating UN organization-specific Outputs	Participating UN organizations	Participating UN organization corporate priority	Implementing Partner	Indicative activities for each Output	Resource allocation and indicative time frame*				Total
						Y1	Y2	Y3	Y4	
<b>Output 1: Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizen participation</b>  <b>Indicators:</b> - % of districts which meet MC/PM measured through annual evaluations - % of Districts	UNCDF	UNDP/UNCDF		MSATM & DA	1.1 capacity development support to national and local level institutions to implement PEM/PFM procedures	<b>54,000</b>	<b>36,000</b>			<b>90,000</b>
	UNDP	UNDP/UNCDF		MSATM & DA	1.2 support CD initiatives targeting female members of local decision making bodies to incorporate gender issues in local processes	<b>14,000</b>	<b>10,000</b>			<b>24,000</b>

<p>develop and approves local development plans and budgets each year                      - MIS system in use and provides direct input to management strategies and decisions                      - % of Suco plans updated and included in overall district planning framework                      % of Suco councils able to provide effective oversight of local development initiatives</p> <p>Baseline:</p> <p>- MC performance system operational in 10 districts but no PM system in place                      - No integrated planning</p>	UNDP	UNDP/UNCDF		MSATM; suco councils	1.3 introduce CD initiatives targeting suco council members to strengthen suco councils as institutions	0	1,298,000			1,298,000
	UNDP	UNDP/UNCDF		MSATM & DA	1.4 strengthen downward information flows at sub-national levels; strengthen coordination and information flows between national and local levels	0	11,500			11,500
	UNCDF	UNDP/UNCDF		MSATM & DA	1.5 support implementation of LDF and PBGS, with attention to CD strategies to improve local government performance	6,336,000	6,996,000			13,332,000
	UNDP	UNDP/UNCDF		MSATM & DA	1.6 introduce mechanisms for demand-driven CD, with attention to identifying supply-side options for responding to needs	0	15,000			15,000

processing linking various levels - No MIS in place - Suco plans prepared but not integrated in overall district planning	UNCDF	UNDP/UNCDF		MSATM & DA	1.7support implementation of robust horizontal accountability mechanisms to ensure interaction between local administrations and decision making bodies with sector departments	7,000	0			7,000
	UNCDF	UNDP/UNCDF		MSATM; district administrations	1.8 support implementation of reporting and monitoring procedures for central government to track use of public funds and make meaningful use of this information	20,000	14,000			34,000
					1.9 output support	142,000	76,000			218,000
Output 2: Improved institutional, legal, and regulatory framework established in support of effective local governance  <i>Indicators:</i> - Revised DSF II approved - Revised PEM/PFM procedural framework	UNCDF	UNCDF/UNDP		MSATM	2.1 Assist in the revision of DSF II	0	2,000			2,000
	UNCDF	UNCDF/UNDP		MSATM	2.2 Support the developing and fine-tune an integrated system of IGFT, planning framework and implementation	0	21,000			21,000
	UNCDF	UNCDF/UNDP		MSATM	2.3 Support the development of subsidiary legislation to support local level PEM/PFM systems and procedures	51,000	14,000			65,000

<p><i>approved</i> - Availability of functional PBGS (PBGS is established an operational by end of 2012) - Revised Capacity Development Strategy approved - # of District capacity assessment completed ( 3-4 assessment completed by 2013) - Gender issues considered in all new policies and strategies</p> <p><b>Baseline:</b> - Outdated Road Map for local governance reform - Incomplete and contradictory PEM/PFM framework for local level - No capacity assessment done at the local level</p>	UNCDF	UNCDF/UNDP		MSATM	2.4 Support the development of a Performance Based Grant system and a Capacity Development Grant	60,500	23,000			<b>83,500</b>
	UNDP	UNDP/UNCDF		MSATM	2.5 Revise the Capacity Development Strategy (CDS) including both institutional and individual CD needs	9,500	19,000			<b>28,500</b>
	UNDP/UNCDF	UNDP/UNCDF		MSATM	2.6 Continued support to local government reform processes	0	70,000			<b>70,000</b>
	UNDP	UNDP/UNCDF		MSATM	2.7 Support and implement IEC related initiatives with particular focus on outreach	45,500	42,500			<b>88,000</b>
	UNDP/UNCDF	UNDP/UNCDF		MSATM	2.8 Support and strengthen national and local capacities on gender mainstreaming in Government policies and strategies	1,000	1,000			<b>2,000</b>

<i>and no capacity development strategy in place - No strategic gender mainstreaming strategy in place</i>	UNDP	UNDP/UNCDF		MSATM & Line Ministries	2.9 Support the establishment of horizontal communication and cooperation between MSATM and Line-Ministries at all levels	2,000	2,000			<b>4,000</b>
	UNCDF	UNCDF/UNDP		MSATM	2.10 Commission/ conduct research on issues linked to local governance	25,000	25,000			<b>50,000</b>
					2.11 output support	425,000	234,000			<b>659,000</b>
<b>Output 3</b>					Programme support	498,800	601,300			<b>1,100,100</b>
<b>Total cost</b>										<b>17,202,600</b>
<b>UNDP</b>	<b>Programme Cost **</b>					<b>617,300</b>	<b>1,935,300</b>			<b>2,552,600</b>
<b>UNCDF</b>	<b>Programme Cost</b>					<b>774,000</b>	<b>1,276,000</b>			<b>2,050,000</b>
<b>Government</b>	<b>Programme</b>					<b>6,300,000</b>	<b>6,300,000</b>			<b>12,600,000</b>
<b>Total</b>	<b>Programme Cost</b>					<b>7,691,300</b>	<b>9,511,300</b>			<b>17,202,600</b>

#### **4. MANAGEMENT AND COORDINATION ARRANGEMENTS**

The project will be executed through Direct Implementation (DIM), which is the principal implementation modality under the 2009-2013 Country Programme Action Plan (CPAP) in Timor-Leste. UNDP, however, is committed to promote a phased move towards National Implementation (NIM) in preparation for the next country programme cycle. Therefore a limited HACT evaluation was undertaken in June 2011, which aimed at evaluating the present capacity of MSATM for NIM implementation. There is a high possibility that the project will include a small component which would be implemented by MSATM through an LOA with UNDP and under close oversight and guidance provided by UNDP CO.

The LGSP II will be institutionally housed in the Ministry of State Administration and Territorial Management (MSATM) and will be directly accountable to the Project Board under the guidance of the Minister of MSATM. Primary operational responsibility for the delivery of output 1 will lie with output implementation team 1 in close coordination with DNDLOT. Operational responsibility for the delivery of output 2 will lie with output implementation team 2 in close coordination with the Office of the Minister, with a view towards ensuring that the policy reform work is coordinated at a high level within the Ministry, and that decisions on policy direction can be taken by the Minister as needed. However, LGSP II staff will also be expected to liaise and coordinate with other directorates of the Ministry (e.g. DNAL, DNAF, DNPAGE, and INAP) and with the Office of the Inspector General, as well as with other Ministries and public sector institutions on relevant Output 1 activities. For the delivery of Output 2, there will also be an emphasis on coordination between LGSP personnel and GoTL counterparts.

- Annex 3 of the present document provides a narrative overview of the CD approach of the LGSP extension, including analysis of key institutional capacity needs and corresponding LGSP response strategies;
- The ToRs of LGSP personnel supporting Output 1 have been revised to reflect the expectation that coordination will be strengthened with units outside DNDLOT (and specify how this is to happen, based on the area of responsibility of the respective LGSP personnel);
- The Annual Work Plans for the LGSP extension will identify in a detailed manner how each activity of Output 1 will involve coordination between DNDLOT and other units, and how LGSP will facilitate this coordination across the Ministry as an institution.

A Programme Management Unit (PMU), headed by the International ITA, will consist of ten core professional staff (one international technical adviser and nine national technical staff – see Annex 1 for the Terms of Reference for these positions, in addition to one Gender advisor and one Legal advisor. The PMU will benefit from technical backstopping by UNCDF regional advisers and technical consultants as needed, as well as programme support from UNDP/UNCDF in the form of a Programme Officer (PO) and National Programme Assistant (NPA).

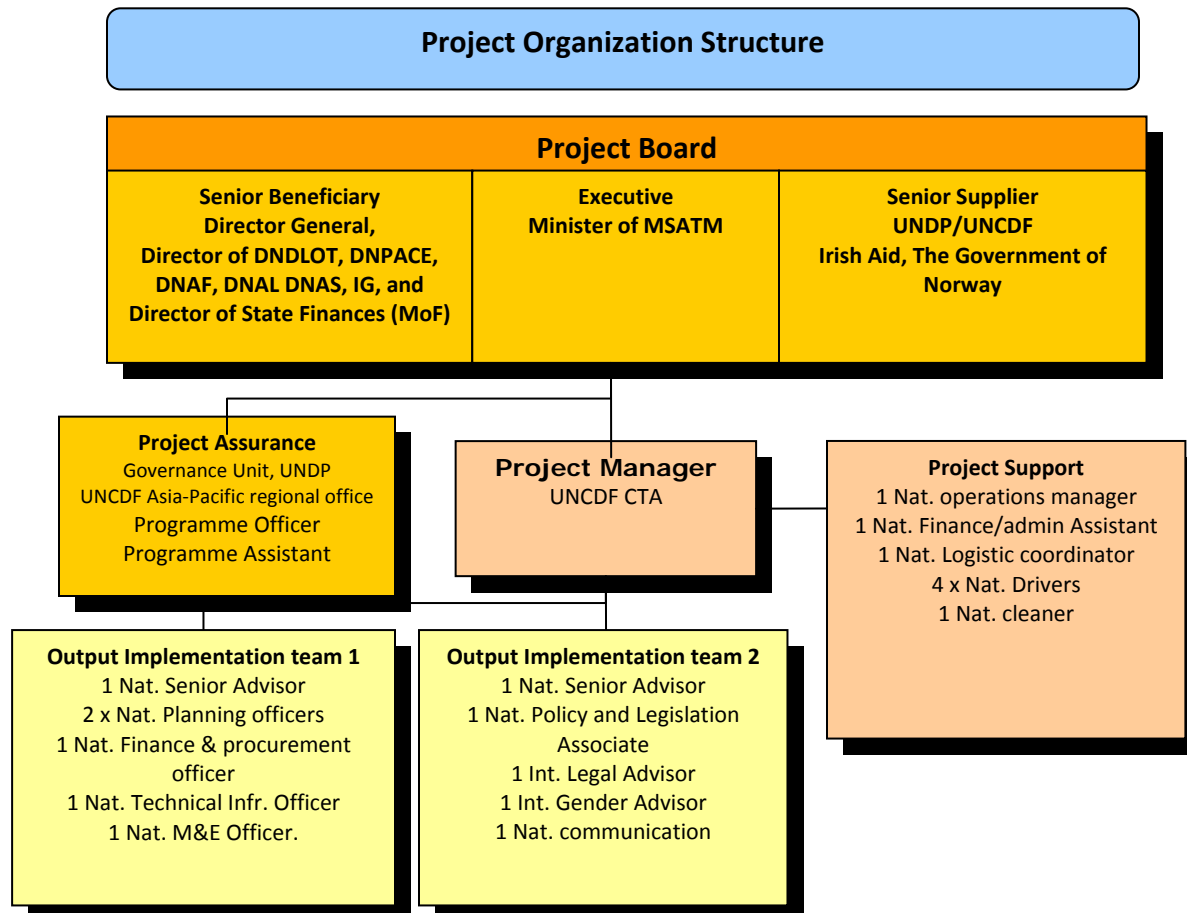
In addition, a Project Board (PB) will be established to oversee overall programme activities. The Project Board will meet twice a year to discuss LGSP II progress and endorse programme orientations. It will be responsible for providing oversight to the implementation of LGSP II. The Project Board will be responsible for endorsing the annual work plan, and mid and annual progress reports. The Project Board will be chaired by the Minister of MSATM. The PB will consist of:

- Minister of MSATM (Chair)
- senior MSATM officials directly involved in the programme;
- a representative from MoF; [to be discussed]
- a UNCDF representative;



- a UNDP representative;
- one representative from each participating development partner organization

The PB structure is shown in the diagram below:



**Project Assurance:** Delegated by the PB, the Project Assurance role will be ensured by Democratic Governance Unit, UNDP CO and the UNCDF Asia-Pacific Regional team. Project assurance will ensure that the project management delivers planned outputs as per the annual work plan on the basis of the quarterly and annual progress reports.

**The UNCDF International Technical Advisor (ITA)** will report to the Project Board and be accountable to the Minister and UNDP/UNCDF for day to day activities and provide feedback on any project issues, as and when required. S/he will also be responsible for overall coordination between the project and UNDP/UNCDF and among different output teams in achieving planned outputs, producing progress and financial reports and for the effective implementation of the project. The ITA will be responsible for delivering the project work plans.

**Output Implementation Team:**

Two small **output technical teams**, each led by a national senior advisor, will be responsible for delivering outputs 1 and 2. They will report directly to the ITA and will ensure linkages between technical personnel of the project and government officials in accordance with established counterpart structures.

The **Operations Team** will, under the direct supervision of the Operations Manager, provide operational support on a day-to-day basis to the ITA and to the Output Implementation Teams.

**Programme Communication:** For all of its knowledge management and promotional materials, the programme extension will include Government, DPs, UNDP and UNCDF logos, in compliance with relevant national and corporate standards and requirements. All programme-related publications (documents, brochures, press releases, websites, newsletters, results-reporting, banners etc.) and events (press conferences, programme seminars, public events and visits) will bear the names of all partners (with the appropriate logo of the organization). UNDP and UNCDF, in consultation with the MSATM, shall take appropriate measures to publicize the joint programme and give due credit to the participating UN organizations and contributing donors. Information given to the press, to the beneficiaries of the joint programme, all related publicity material, official notices, reports and publications, shall acknowledge the role of the Government of Timor-Leste, UNDP, UNCDF and any other relevant parties. In particular, the Administrative Agent will include and ensure due recognition of the role of Government of Timor-Leste, UNDP and UNCDF in all external communications relating to the joint programme.

**Resource Mobilization:** Resource mobilization will be an integral part of the LGSP's on-going work, and will be led by the Government with close support of the UNDP and UNCDF. The preparatory efforts involved dialogue with long term partners, who have supported the LGSP over several phases such as Irish Aid and the Government of Norway as well as potential new partners such as the Global Environment Fund (GEF) and AusAID. The LGSP Joint Programme is being initiated with an unfunded budget of US\$ 2.8 mill, which needs to be addressed through efforts of the Programme and partners. The LGSP Joint Programme will devote specific attention during its regular planning exercise to ensure relevant activities that will help effectively mobilize required support from strategic partners and donors. The modular nature of the LGSP allows for key activities to move ahead independently of the present funding gap, while the implementation of two new components (PBGS and Community Development Support) will be dependent on additional funding availability.

**Partnerships:** The programme will rely on partnerships and cooperation of a wide range of international and national stakeholders to maximize the programme impacts and to ensure that its interventions are harmonized with and complement the efforts of other partners. The LGSP Joint Programme draws on the well-established partnership from the previous phase with the Ministry of Finance at the national level on policy initiatives and with the District and Sub-District Administrations in all the 13 Districts in Timor-Leste. The new Programme may foster a new partnership with the Ministry of Environment and Local Development, to roll out GEF linked tasks. The LGSP Programme complements the other projects and programmes of its current development partners, in the areas of improving service delivery, capacity development and good governance.

## **5. FUND MANAGEMENT ARRANGEMENTS**

The Joint Programme financing arrangements will be the Parallel funding modality for UNDP and UNCDF Core resources and for Government contributions, while the Pass-Through modality will apply for Third Party contributions to the programme.

For the pass-through portion, the Participating UN Organizations have selected UNDP (through the Multi-Partner Trust Fund Office) to act as Administrative Agent (AA) for the Joint Programme. The Administrative Agent will enter into a Memorandum of Understanding (MoU) with the Participating UN Organizations based on the portfolio of activities that have been mutually agreed in line with the common workplan, and a Standard Administrative Agreement (SAA) with each donor that will set out the terms and conditions governing the

receipt and disbursement of funds.

The Administrative Agent will:

- Establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds received from the donor(s) pursuant to the Administrative Arrangement. This Joint Programme Account will be administered by the Administrative Agent in accordance with the regulations, rules, directives and procedures applicable to it, including those relating to interest;
- Make disbursements to Participating UN Organizations from the Joint Programme Account based on instructions from the Programme Board, in line with the budget set forth in the Joint Programme Document.

The Participating UN Organizations will:

- Assume full programmatic and financial responsibility and accountability for the funds disbursed by the AA.
- Establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Each UN organization is entitled to deduct their indirect costs on contributions received according to their own regulation and rules, taking into account the size and complexity of the programme. Each UN organization will deduct 7% as overhead costs of the total allocation received for the agency.

The Administrative Agent is entitled to receive 1% of the amount contributed by donors, for the costs of performing the functions described above. The rate will be stipulated in both the MoU and the SAA.

UNCDF will negotiate a separate MoU with government that governs the use of the pilot fiscal facility that ensures fiduciary accountability whilst enabling the funds to be integrated within the government public financial management framework.

With regard to financial management, all UNDP and UNCDF-funded expenditures will be managed and audited in accordance with standard UNDP and UNCDF procedures.

Any grants made to Local Assemblies and Municipalities (within the framework of LGSP) will be an integral part of the budget of GoTL, and will be classified as “grants” in the budget nomenclature. Expenditures from these grants will be undertaken within the framework of government procedures for procurement and financial management and audited as per Government audit regulations.

#### **Transfer of cash to national Implementing Partners:**

As mentioned above, UNDP is moving towards NIM modalities in Timor-Leste and there may be an opportunity to pilot NIM advances to the Implementing Partner – in this case MSATM. Details of this arrangement will be established in a Letter of Agreement (LOA) between UNDP and MSATM.

## **6. MONITORING, EVALUATION AND REPORTING**

**Monitoring:** Regular monitoring of the Programme will be conducted through the Programme Monitoring Framework (PMF) by a National Monitoring and Evaluation Officer within the Programme Management Unit and under the direct supervision of the Project International Technical Advisor (ITA). All stakeholders (GoTL, Irish Aid, Norway, UNDP, UNCDF, etc.) will be encouraged to be involved in this process. LGSP’s M&E framework will provide information on project progress against assigned outputs and activities.

**Bi-Annual meetings:** The Programme Board Meeting will meet bi-annually to review the extent to which progress is being made toward achievement of outputs. The last meeting of the year will also be an opportunity to approve the Annual Work Plan (AWP) for the following year.

**Joint Annual Technical Review:** A Joint Annual Technical Review (JATR) will take place each year. The review team will include representatives from the Government, UN agencies and development partners. The JATR will examine progress against Programme objectives and make recommendations to the Programme Board to provide consistent guidance.

**Quarterly Review Reports:** Quarterly Review Reports shall be prepared by the ITA and shared with the Programme Board in preparation for the Quarterly Project Review. As minimum requirement, the Quarterly Review Report shall consist of financial and physical progress of activities for the quarter under review, as well as a summary of progress towards achieving pre-defined targets at the output level. The final quarter report will be a combination of all quarters and form the final annual report of the programme each year.

**Final Review:** The programme will do a final review within the last year of the programme timeframe. An independent mid-term evaluation of LGSP was completed in July 2010, so no mid-term evaluation will be done during this extension period.

**Reporting for the Pass-Through portion:** Each Participating UN Organization will prepare the following reports on its contribution in accordance with its financial rules and regulations:

- Annual narrative progress reports, to be provided no later than three months (31 March) after the end of the calendar year;
- Annual financial statements and reports as of 31 December with respect to the funds disbursed to it from the Joint Programme Account, to be provided no later than four months (30 April) after the end of the calendar year;
- Final narrative reports, after the completion of the activities in the Joint Programme Document and including the final year of the activities in the Joint Programme Document, to be provided no later than four months (30 April) of the year following the financial closing of the Joint Programme. The final report will give a summary of results and achievements compared to the goals and objectives of the Joint Programme;
- Certified final financial statements and final financial reports after the completion of the activities in the Joint Programme Document and including the final year of the activities in the Joint Programme Document, to be provided no later than six months (30 June) of the year following the financial closing of the Joint Programme.

The Lead Agency (UNDP) will:

- Prepare the Consolidated Narrative Report based on the narrative progress reports received from the Participating UN organizations.

The Administrative Agent will:

- Prepare consolidated narrative and financial progress reports, based on the narrative consolidated report prepared by the Lead Agency and the financial statements/ reports submitted by each of the Participating UN Organizations;
- Provide those consolidated reports to each donor that has contributed to the Joint Programme Account, as well as the Steering Committee, in accordance with the timetable established in the Administrative Arrangement.
- Provide the donors, Steering Committee and Participating UN Organizations with:

- Certified annual financial statement (“Source and Use of Funds” as defined by UNDG guidelines) to be provided no later than five months (31 May) after the end of the calendar year;
- Certified final financial statement (“Source and Use of Funds”) to be provided no later than seven months (31 July) of the year following the financial closing of the Joint Programme.

Table 2: Joint Programme Monitoring Framework (JPMF)

Expected Results Outcomes/ outputs	Indicators (with baselines)	Means of verification	Collection methods	Responsibilities	Risks & assumptions
<b>OUTCOME:</b> Increased capacity for efficient, accountable and gender-responsive delivery of services by local administrations					
<b>Output 1:</b> Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizen participation	<b>Indicators:</b> - % of districts which meet MC/PM measured through annual evaluations - % of Districts develop and approves local development plans and budgets each year - MIS system in use and provides direct input to management strategies and decisions - Increase on community (men and women) capacity in planning, implementation and monitoring of community projects, including women participation  <b>Baseline:</b> - MC performance system operational in 10 districts but no PM system in place - No integrated planning processing linking various levels - No MIS in place	- Result of annual MC/PM assessment - Annual district reports - New policy issued by GoTL in the Official Gazette - Approved annual plans and budgets	- Annual review of MC/PM results - Review of Official Gazettes	- MSATM - Support from UNCDF/UNDP	- Gov discontinue with the basic MC system or fail to adopt the new PBGS - Gov only partly follow the PBGS system - the District budget is discontinued
<b>Output 2:</b> Improved institutional, legal, and regulatory	<b>Indicators:</b> - Revised DSF II approved - Revised PEM/PFM procedural framework approved	- Official Government Gazette - Pilot regulations for	- Review of official Gazette and Ministerial diplomas	- MSATM - Support from UNCDF/UNDP	- Revised DSF II is not approved - Revised PEM/PFM

Expected Results Outcomes/ outputs	Indicators (with baselines)	Means of verification	Collection methods	Responsibilities	Risks & assumptions
<p>framework established in support of effective local governance</p>	<p>- Availability of functional PBGS (PBGS is established an operational by end of 2012) - Revised Capacity Development Strategy approved                      - # of District capacity assessment completed ( 3-4 assessment completed by 2013)                      - Gender issues considered in all new policies and strategies</p> <p><b>Baseline:</b>                      - Outdated Road Map for local governance reform                      - Incomplete and contradictory PEM/PFM framework for local level                      - No capacity assessment done at the local level and no capacity development strategy in place                      - No strategic gender mainstreaming strategy in place</p>	<p>PGBS approved                      - CD strategy approved                      - CD assessment report</p>	<p>- review of district capacity assessments</p>		<p>framework not approved;                      - PBGS not approved                      - Revised CD strategy not implemented</p>

## **7. LEGAL CONTEXT OR BASIS OF RELATIONSHIP**

This Joint Programme document shall be the instrument referred to as such in Article 1 of the SBAA between the Government of Timor-Leste and UNDP, signed on (20<sup>th</sup> May 2002). Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the executing agency and its personnel and property, and of UNDP's property in the executing agency's custody, rests with the executing agency.

The executing agency shall:

- put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the programme is being carried;
- assume all risks and liabilities related to the executing agency's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The Implementing Partners agree to undertake all reasonable efforts to ensure that none of the funds received pursuant to this Joint Programme are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by Participating UN organizations do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this programme document.

The present Government of Timor-Leste reserves the right of the new Government to make revisions to this Joint Programme Document if and when the new Government wishes to do so.<sup>3</sup>

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<sup>3</sup> Elections are to be held in 2012 and the new Government term will commence in August 2012



## ANNUAL WORK PLAN

JP Outcome												
UN organization-specific Annual targets	UN organization	Activities	TIME FRAME				Implementing Partner	PLANNED BUDGET				
			Q1	Q2	Q3	Q4		Source of Funds	Budget Description	2012	2013	Total Amount
<b>Total:</b>												<b>17,202,600</b>
<b>JP Output 1: Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizen participation</b>										<b>6,573,000</b>	<b>8,456,500</b>	<b>15,029,500</b>
		<b>1.1 capacity development support to national and local level institutions to implement PEM/PFM procedures</b>								<b>54,000</b>	<b>36,000</b>	<b>90,000</b>
	UNCDF	<i>1.1.1 support to developing revised training materials to reflect new PEM/PFM procedures</i>						UNCDF Unfunded	Int travel	2,000		<b>2,000</b>
								UNCDF Unfunded	Int TA	10,000		<b>10,000</b>
	UNDP							UNDP	Printing	3,000		<b>3,000</b>
	UNDP	<i>1.1.2 orientation/training for LGSP, DNDLOT and other select MSATM staff on PEM/PFM procedures</i>						UNDP NOR	Workshop	1,000	0	<b>1,000</b>
								UNDP NOR	local travel	2,000	0	<b>2,000</b>
	UNDP	<i>1.1.3 support training activities at national and sub-national levels on PEM/PFM procedures</i>						UNDP IRE	Workshop	8,000	8,000	<b>16,000</b>
								UNDP IRE	local travel	10,000	10,000	<b>20,000</b>
	UNDP	<i>1.1.4 Support to and monitoring of local level bodies in new PEM/PFM procedures</i>						UNDP IRE	Workshop	8,000	8,000	<b>16,000</b>

								UNDP IRE	local travel	10,000	10,000	<b>20,000</b>
		<b>1.2 support CD initiatives targeting female members of local decision making bodies to incorporate gender issues in local processes</b>								<b>14,000</b>	<b>10,000</b>	<b>24,000</b>
	UNCDF	<i>1.2.1 prepare information and training materials on gender issues in local processes</i>						UNCDF IRE	Int TA (same as 2.11)	0	0	<b>0</b>
	UNDP							UNDP IRE	Printing/translation	4,000	0	<b>4,000</b>
	UNDP	<i>1.2.2 training of female members of local decision-making bodies</i>						UNDP IRE	workshop	5,000	5,000	<b>10,000</b>
								UNDP NOR	local travel	5,000	5,000	<b>10,000</b>
		<b>1.3 introduce CD initiatives targeting suco council members to strengthen suco councils as institutions</b>								<b>0</b>	<b>1,298,000</b>	<b>1,298,000</b>
	UNDP	<i>1.3.1 prepare information and training materials for communities and suco council members, including on processes related to Suco Development Plans, and carry out related training activities</i>						UNDP Unfunded	training		100,000	<b>100,000</b>
	UNDP	<i>1.3.2 prepare information and training materials for communities and suco council members, on processes related to community contracting, and carry out related training activities</i>						UNDP Unfunded	training		100,000	<b>100,000</b>

	UNDP	1.3.3 prepare information and training materials for communities and suco council members, on processes related the implementation of oversight mechanisms, and carry out related training activities						UNDP Unfunded	training		100,000	<b>100,000</b>
	UNDP	1.3.4 Support the recruitment by local assemblies of of 13 district level Local Technical Advisors to support the DDOs						UNDP Unfunded	National staff		50,000	<b>50,000</b>
	UNDP	1.3.5 Support the recruitment by MSATM of 65 sub-district level Local Technical Advisors/Facilitators						UNDP Unfunded	National staff		350,000	<b>350,000</b>
	UNDP	1.3.6 Operational support						UNDP Unfunded	Motorbikes and vehicles		330,000	<b>330,000</b>
	UNDP							UNDP Unfunded	DSA		150,000	<b>150,000</b>
	UNDP							UNDP Unfunded	Maintenance and fuel		100,000	<b>100,000</b>
	UNDP	1.3.6 training activities for suco council members						UNDP IRE	workshop			
								UNDP	workshop		3,000	<b>3,000</b>
								UNDP IRE	local travel			
								UNDP	local travel		6,000	<b>6,000</b>
	UNDP	1.3.7 Support integration of Suco development plans in district planning						UNDP IRE	workshop		3,000	<b>3,000</b>
								UNDP IRE	local travel		6,000	<b>6,000</b>
		<b>1.4 strengthen downward information flows at sub-national levels; strengthen coordination and information flows</b>								<b>0</b>	<b>11,500</b>	<b>11,500</b>

		<b>between national and local levels</b>										
	<b>UNDP</b>	<i>1.4.1 support establishment of regular communication and coordination mechanisms between district and sub-district/suco levels</i>						UNDP Unfunded	Misc	0	4,000	<b>4,000</b>
	<b>UNDP</b>	<i>1.4.2 support establishment of regular communication and coordination mechanisms between MSATM and districts</i>						UNDP Unfunded	Misc	0	4,000	<b>4,000</b>
	<b>UNDP</b>	<i>1.4.3 Training of national, D, SD staff in internal communication tools</i>						UNDP Unfunded	workshop	0	1,500	<b>1,500</b>
								UNDP Unfunded	local travel	0	2,000	<b>2,000</b>
		<b>1.5 support implementation of a LDF, PBGS, with attention to CD strategies to improve local government performance</b>								<b>6,336,000</b>	<b>6,996,000</b>	<b>13,332,000</b>
	UNDP	<i>1.5.1 support to implementation of PBGS; including training and orientation activities at national and local levels</i>						UNDP NOR	workshop	3,000	3,000	<b>6,000</b>
	UNDP							UNDP NOR	Loc travel	5,000	5,000	<b>10,000</b>
	UNDP	<i>1.5.2 Support to Districts in identifying CD needs based on MCPM performance results</i>						UNDP Unfunded	workshop		0	<b>0</b>
	UNCDF	<i>1.5.3 Performance Based Grant for 3-5 pilot districts</i>						UNCDF Unfunded	Grant		600,000	<b>600,000</b>

	UNCDF	1.5.4 Capacity Development Grant for 3-5 pilot districts						UNCDF Unfunded	Grant		60,000	<b>60,000</b>
	Gov	1.5.5 Local development fund/District Development Fund						Gov	Gov Grant	6,300,000	6,300,000	<b>12,600,000</b>
								UNDP IRE	local travel	15,000	15,000	<b>30,000</b>
								UNDP IRE	Workshop	10,000	10,000	<b>20,000</b>
								UNDP IRE	printing	3,000	3,000	<b>6,000</b>
								UNDP IRE	Venue	0	0	<b>0</b>
		<b>1.6 introduce mechanisms for demand-driven CD, with attention to identifying supply-side options for responding to needs</b>								<b>0</b>	<b>15,000</b>	<b>15,000</b>
	UNDP	1.6.1 support implementation of a capacity self-assessment tool for local administrations, including training and orientation activities						UNDP	workshop	0	10,000	<b>10,000</b>
	UNDP	1.6.2 regular monitoring and backstopping of self-assessment tool						UNDP	local travel	0	5,000	<b>5,000</b>
		<b>1.7 support implementation of robust horizontal accountability mechanisms to ensure interaction between local administrations and decision making bodies with sector departments</b>								<b>7,000</b>	<b>0</b>	<b>7,000</b>
	<b>UNDP</b>	1.7.1 trainings and capacity development activities for local administrations and sector departments in horizontal sectoral planning and						UNDP IRE	Workshop same 1.1.3			<b>0</b>

		<i>budgeting</i>										
	<b>UNCDF</b>	<i>1.7.2 prepare information and training materials</i>					UNCDF Unfunded	Int travel	2,000			<b>2,000</b>
	<b>UNCDF</b>						UNCDF Unfunded	Int TA	5,000			<b>5,000</b>
	<b>UNDP</b>						UNDP IRE	Printing	Same as 1.1.1			<b>0</b>
		<b>1.8 support implementation of reporting and monitoring procedures for central government to track use of public funds, local processes and make meaningful use of this information</b>							<b>20,000</b>	<b>14,000</b>		<b>34,000</b>
	<b>UNCDF</b>	<i>1.8.1 technical support</i>					UNCDF IRE	Int TA	15,000	10,000		<b>25,000</b>
	<b>UNCDF</b>						UNCDF IRE	Int Travel	2,000	2,000		<b>4,000</b>
	<b>UNDP</b>	<i>1.8.2 training is usage of M&amp;E/MIS for management purposes</i>					UNDP NOR	workshop	3,000			<b>3,000</b>
	<b>UNCDF</b>	<i>1.8.3 strengthening M&amp;E functions of MSATM including support to manage new MIS</i>					UNCDF IRE	Int travel (same as 2.3.7)		2,000		<b>2,000</b>
		<b>1.9 Output Support</b>							<b>142,000</b>	<b>76,000</b>		<b>218,000</b>
		<b>National staff</b>							<b>137,000</b>	<b>71,000</b>		<b>208,000</b>
	<b>UNDP</b>	<i>Coordinator</i>					UNDP	Salary	0	16,000		<b>16,000</b>
							UNDP IRE	Salary	16,000			<b>16,000</b>
	<b>UNDP</b>	<i>Planning officer (2)</i>					UNDP	Salary	22,000	22,000		<b>44,000</b>
	<b>UNDP</b>	<i>Finance/procurement officer</i>					UNDP	Salary	10,000	10,000		<b>20,000</b>
	<b>UNDP</b>	<i>Infrastructure technical associate</i>					UNDP	Salary	15,000	15,000		<b>30,000</b>
	<b>UNDP</b>	<i>District level LD officers</i>					UNDP	Salary	50,000	0		<b>50,000</b>

		(technical 13)										
	<b>UNDP</b>	Engineers (2)					UNDP IRE	Salary	8,000	10,000	<b>28,000</b>	
		DSA (LoA MSATM)					UNDP IRE		0		<b>0</b>	
		Comms (LOA MSATM)					UNDP IRE		3,000		<b>3,000</b>	
		Furniture (LoA MSATM)					UNDP IRE		3,000		<b>3,000</b>	
		IT equipment (LoA MSATM)					UNDP IRE		10,000		<b>10,000</b>	
	<b>UNDP</b>	<b>Misc</b>					UNDP	Misc	<b>2,000</b>	<b>5,000</b>	<b>7,000</b>	
							UNDP IRE	Misc	<b>3,000</b>		<b>3,000</b>	
<b>JP Output 2: Improved institutional, legal, and regulatory framework established in support of effective local governance</b>									<b>619,500</b>	<b>453,500</b>	<b>1,073,000</b>	
		<b>2.1 Assist in the revision of DSF II and preparation of DSF III</b>							<b>0</b>	<b>2,000</b>	<b>2,000</b>	
	UNCDF	2.1.1 Revision of DSF II					UNCDF IRE	Int. travel	0	0	<b>0</b>	
	UNDP						UNDP IRE	Printing	0	0	<b>0</b>	
	UNCDF	2.1.2 TA support to implementation					UNCDF IRE	Same as 2.1.1			<b>0</b>	
	UNCDF	2.1.3 Preparation of DFS III (if needed)					UNCDF Unfunded	Int. travel	0	1,500	<b>1,500</b>	
	UNDP						UNDP Unfunded	Printing	0	500	<b>500</b>	
		<b>2.2 Support the developing and fine-tune an integrated system of IGFT, planning and implementation framework</b>							<b>0</b>	<b>21,000</b>	<b>21,000</b>	
	UNCDF	2.2.1 Support to defining grant formula for district allocations					UNCDF Unfunded	Int travel		3,000	<b>3,000</b>	
	UNCDF						UNCDF Unfunded	Int TA		10,000	<b>10,000</b>	
	UNCDF	2.2.2 Support to establishing grant transfer mechanisms for IGFT					UNCDF IRE	Same as 2.2.1			<b>0</b>	

	UNCDF	<i>2.2.3 Support to review and revision of integrated planning and implementation framework for local level</i>						UNCDF Unfunded	Int travel		2,000		<b>2,000</b>
	UNCDF							UNCDF Unfunded	Int TA		6,000		<b>6,000</b>
		<b>2.3 Support the development of subsidiary legislation to support local level PEM/PFM systems and procedures</b>									<b>51,000</b>	<b>14,000</b>	<b>65,000</b>
	UNCDF	<i>2.3.1 Revise and prepare new local finance management regulation and system</i>						UNCDF IRE	Int travel	2,000	0		<b>2,000</b>
	UNCDF							UNCDF IRE	Int TA	15,000	0		<b>15,000</b>
	UNCDF	<i>2.3.2 Support integration between local finance system and the national FMIS</i>						UNCDF IRE	Int travel	0	2,000		<b>2,000</b>
	UNCDF							UNCDF IRE	Int TA	5,000	5,000		<b>10,000</b>
	UNCDF	<i>2.3.3 Revise and prepare a simplified local medium-term expenditure framework for planning and budgeting</i>						UNCDF IRE	Int travel	2,000	2,000		<b>4,000</b>
	UNCDF							UNCDF IRE	Int TA	10,000	5,000		<b>15,000</b>
	UNCDF	<i>2.3.4 Revise and prepare new local procurement regulations in line with national policies</i>						UNCDF IRE	Int travel	2,000	0		<b>2,000</b>
	UNCDF							UNCDF IRE	Int TA	10,000	0		<b>10,000</b>



	UNCDF	2.3.5 Prepare new framework for the development of Suco Development Plans (merge with 2.3.3 in terms of costs)						UNCDF Unfunded	Int travel	0	0	0
	UNCDF							UNCDF Unfunded	Int TA	5,000	0	5,000
		<b>2.4 Support the development of a Performance Based Grant system and a Capacity Development Grant</b>								<b>60,500</b>	<b>23,000</b>	<b>83,500</b>
	UNCDF	2.4.1 Development and finetuning of a PBGS for pilot testing in 2-3 districts						UNCDF IRE	Int travel	3,000	3,000	6,000
	UNCDF							UNCDF IRE	Int TA	20,000	10,000	30,000
	UNCDF	2.4.2 Develop a Capacity Development facility linked to the PBGS						UNCDF Unfunded	Int travel	2,500		2,500
	UNCDF							UNCDF Unfunded	Int TA	10,000		10,000
	UNDP	2.4.3 Workshop and consultation						UNDP IRE	workshop	5,000		5,000
	UNDP	2.4.4 Support to Annual MCPM audits						UNDP NOR	Loc travel		10,000	10,000
	UNDP	2.4.5 Study tour on PBGS (Nepal?)						UNDP Unfunded	Int travel	20,000	0	20,000
		<b>2.5 Revise the Capacity Development Strategy (CDS) including both institutional and individual CD needs</b>								<b>9,500</b>	<b>19,000</b>	<b>28,500</b>
	UNCDF	2.5.1 Develop and support a local level CD need assessment in 3 to 5 districts (linked to PBGS selected districts)						UNDP IRE	Int TA	5,000		5,000
	UNCDF							UNDP IRE	Int Travel	2,000		2,000

	UNDP							UNDP Unfunded	Printing	500		<b>500</b>
	UNCDF	<i>2.5.2 Revise the draft CDS to the present context taking into account the findings in the district assessment</i>						UNCDF Unfunded	Int TA	0	15,000	<b>15,000</b>
	UNCDF							UNCDF Unfunded	Int travel	0	2,000	<b>2,000</b>
	UNDP	<i>2.5.3 Consultations and workshop with key stakeholders including CD providers on revised CDS and implementation plan</i>						UNDP IRE	workshop	1,000	2,000	<b>3,000</b>
	UNDP	<i>2.5.4 identification/mapping of CD service providers</i>						UNDP IRE	local travel	1,000		<b>1,000</b>
		<b>2.6 Continued support to local government reform processes</b>								<b>0</b>	<b>70,000</b>	<b>70,000</b>
	UNCDF	<i>2.6.1 Technical support in revision of current legislative framework</i>						UNCDF Unfunded	Int travel		10,000	<b>10,000</b>
	UNCDF							UNCDF Unfunded	Int TA		50,000	<b>50,000</b>
	UNDP							UNDP Unfunded	workshops		10,000	<b>10,000</b>
	UNCDF	<i>2.6.2 Technocal support in revision of current regulatory framework</i>						UNCDF	same as 2.6.1			<b>0</b>
	UNCDF	<i>2.6.3 Review institutional setup of the currect local and national support structures in light of new legislation</i>						UNCDF	same as 2.6.1			<b>0</b>
		<b>2.7 Support and implement IEC related initiatives with particular focus on outreach</b>								<b>45,500</b>	<b>42,500</b>	<b>88,000</b>
	UNDP	<i>2.7.1 Bi-monthly</i>						UNDP IRE	Print/prod	3,000	3,000	6,000

		<i>information bulletin</i>										
	UNDP	<i>2.7.2 Quarterly radio programmes</i>						UNDP IRE	Print/prod	10,000	10,000	20,000
	UNDP	<i>2.7.3 Public information about new policies, regulations, legislation regarding local governance related issues</i>						UNDP IRE	Print/prod	10,000	10,000	20,000
	UNDP	<i>2.7.4 support to development of a community feedback initiatives (suggestion box, WB programme)</i>						UNDP IRE	Print/prod	1,000	0	1,000
	UNDP							UNDP NOR	Travel	2,000	0	2,000
	UNDP	<i>2.7.5 Home page managent</i>						UNDP IRE	IT	10,000	10,000	20,000
	UNDP	<i>2.7.6 IT equipment</i>						UNDP IRE	IT equipment	2,500	2,500	5,000
	UNCDF	<i>2.7.7 Technical advice</i>						UNCDF Unfunded	Salary	5,000	5,000	10,000
	UNCDF							UNCDF Unfunded	Int travel	2,000	2,000	4,000
		<b>2.8 Support and strengthen national and local capacities on gender mainstreaming in Government policies and strategies</b>								1,000	1,000	2,000
		<i>2.8.1 Development of a gender strategy for the Ministry</i>							Staff time - Gender Advisor			0
	UNDP	<i>2.8.2 Coordination meetings and consultations with other government and non-government institutions involved in gender mainstreaming policies and strategies</i>						UNDP NOR	Misc	1,000	1,000	2,000

		2.8.3 Support to review and revision of training materials for female members of local decision-making bodies						Staff time- Gender Advisor			
		2.8.4 Technical support to identify entry points and develop strategies to mainstream gender into national and local policies and processes						Staff time- Gender Advisor			0
		<b>2.9 Support the establishment of horizontal communication and cooperation between MSATM and Line-Ministries at all levels</b>							<b>2,000</b>	<b>2,000</b>	<b>4,000</b>
	UNDP	2.9.1 National coordination meetings					UNDP IRE	Misc	1,000	1,000	<b>2,000</b>
	UNDP	2.9.2 Joint supervision missions to the Districts					UNDP NOR	Loc travel	1,000	1,000	<b>2,000</b>
		<b>2.10 Commission/ conduct research on issues linked to local governance</b>							<b>25,000</b>	<b>25,000</b>	<b>50,000</b>
	UNCDF	2.10 Technical support					UNCDF Unfunded	Int staff	20,000	20,000	40,000
	UNCDF						UNCDF Unfunded	Int travel	5,000	5,000	10,000
		<b>2.11 Output Support</b>							<b>425,000</b>	<b>234,000</b>	<b>659,000</b>
		<b>National staff</b>							<b>38,000</b>	<b>38,000</b>	<b>76,000</b>
	UNDP	Policy Coordinator					UNDP IRE	Local staff	16,000	16,000	32,000
	UNDP	Policy and legislation associate					UNDP IRE	Local staff	12,000	12,000	24,000
	UNDP	Communication officer					UNDP IRE	Local staff	10,000	10,000	20,000
		<b>International staff</b>							<b>382,000</b>	<b>191,000</b>	<b>573,000</b>
	UNCDF	Legal advisor					UNCDF IRE	Salary	98,000	0	98,000
							UNCDF	Recurring	66,000		66,000

								IRE				
								UNCDF IRE	Non-recurring	27,000		27,000
								UNCDF Unfunded	Int staff		191,000	191,000
	UNCDF	<i>Gender advisor</i>						UNCDF IRE	Int staff	98,000		98,000
								UNCDF IRE	Non-recurring	66,000		66,000
								UNCDF IRE	Int staff	27,000		27,000
		<b>Monitoring/field visit</b>								<b>5,000</b>	<b>5,000</b>	<b>10,000</b>
	UNDP	Local travel						UNDP NOR		5,000	5,000	10,000
<b>JP Output 3: PROGRAMME SUPPORT</b>										<b>498,800</b>	<b>610,300</b>	<b>1,100,100</b>
		<b>Equipment</b>								<b>13,000</b>	<b>8,000</b>	<b>21,000</b>
	UNDP	<i>IT equipment</i>						UNDP IRE	Equipment	10,000	5,000	20,000
	UNDP	<i>Office equipment</i>						UNDP IRE	Equipment	3,000	3,000	6,000
		<b>Technical support</b>								<b>402,500</b>	<b>489,000</b>	<b>891,500</b>
		<i>International staff</i>								<b>323,000</b>	<b>418,500</b>	<b>741,500</b>
	UNCDF	<i>International technical specialist</i>						UNCDF	salary	100,000	100,000	200,000
								UNCDF IRE	salary	20,000	20,000	40,000
								UNCDF IRE	Recurring	77,500	77,500	155,000
								UNCDF IRE	Non-recurring	30,000	30,000	60,000
	UNDP	<i>Capacity Development Specilaist</i>						UNDP Unfunded	salary	49,000	98,000	196,000
								UNDP Unfunded	Recurrent	33,000	66,000	132,000
	UNCDF							UNDP Unfunded	Non-recurring	13,500	27,000	54,000
		<i>Local Support staff</i>								<b>79,500</b>	<b>70,500</b>	<b>150,000</b>
	UNDP	<i>Operational manager</i>						UNDP IRE	salary	15,000	17,000	32,000
	UNDP	<i>Admin &amp; Finance Assistant</i>						UNDP IRE	salary	18,000	12,000	30,000
	UNDP	<i>M&amp;E Officer</i>						UNDP IRE	salary	15,000	15,000	30,000
	UNDP	<i>Driver/logistic coordinator</i>						UNDP IRE	salary	6,000	7,000	13,000

	UNDP	Driver (4)						UNDP IRE	salary	17,000	17,000	34,000	
	UNDP	Cleaner						UNDP IRE	salary	2,500	2,500	5,000	
		IT consultant						UNDP IRE	salary	6,000		6,000	
		<b>Operations/programme support</b>								<b>83,300</b>	<b>69,300</b>	<b>152,600</b>	
	UNDP	Annual work plan workshop						UNDP IRE		1,000	0	1,000	
								UNDP			1,000	1,000	
	UNDP	O&M vehicle						UNDP IRE		20,000	20,000	40,000	
	UNDP	Vehicle insurance						UNDP IRE		1,300	1,300	2,600	
	UNDP	Supplies/stationary						UNDP IRE		12,000	12,000	24,000	
	UNDP	Telephone/radio motorola						UNDP IRE		7,000	7,000	14,000	
	UNDP	Translation/printing						UNDP IRE		7,000	10,000	17,000	
	UNDP	Misc						UNDP IRE		2,000	2,000	4,000	
		Learning						UNDP IRE		7,000	6,000	13,000	
	UNCDF	International & local travel (incl regional support costs)						UNCDF IRE		26,000	10,000	36,000	
		<b>Final Review</b>								<b>0</b>	<b>35,000</b>	<b>35,000</b>	
	UNDP	Final review						UNDP IRE			20,000	20,000	
	UNCDF							UNCDF unfunded			15,000	15,000	
<b>Total Planned Budget</b>										<b>7,691,300</b>	<b>9,511,300</b>	<b>17,202,600</b>	
<b>Including</b>	<b>UNDP</b>										<b>100,000</b>	<b>100,000</b>	<b>200,000</b>
	<b>UNDP IRE</b>										<b>373,300</b>	<b>320,300</b>	<b>693,600</b>
	<b>UNDP IRE GMS</b>												
	<b>UNDP NOR</b>										<b>28,000</b>	<b>30,000</b>	<b>58,000</b>
	<b>UNDP NOR GMS</b>												
	<b>UNDP Unfunded</b>										<b>116,000</b>	<b>1,485,000</b>	<b>1,601,000</b>
	<b>UNDP Total</b>										<b>617,300</b>	<b>1,935,300</b>	<b>2,552,600</b>
	<b>UNCD</b>										<b>100,000</b>	<b>100,000</b>	<b>200,000</b>
	<b>UNCDF IRE</b>										<b>605,500</b>	<b>178,500</b>	<b>784,000</b>
	<b>UNCDF IRE GMS</b>												
	<b>UNCDF Unfunded</b>										<b>68,500</b>	<b>997,500</b>	<b>1,066,000</b>
	<b>UNCDF Total</b>										<b>774,000</b>	<b>1,276,000</b>	<b>2,050,000</b>
	<b>Government</b>										<b>6,300,000</b>	<b>6,300,000</b>	<b>12,600,000</b>
<b>Unfunded</b>										<b>184,500</b>	<b>2,482,500</b>	<b>2,667,000</b>	



## **ANNEXES**

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### Annex 1 - Terms of Reference:

- ✓ International Technical Advisor
- ✓ Gender Equality Specialist
- ✓ Legal Specialist
- ✓ Community Development Specialist
- ✓ National Senior Advisor Output 1/ LDP Coordinator
- ✓ National Senior Advisor Output 2/ Policy Coordinator
- ✓ Operation Manager
- ✓ M&E Officer
- ✓ Planning Officer
- ✓ Finance/Procurement Officer
- ✓ Communication Officer
- ✓ Infrastructure Technical Associate
- ✓ Policy and Legislation Associate
- ✓ Admin and Finance Associate
- ✓ Driver and Logistic Coordinator
- ✓ Driver and
- ✓ Cleaner



### **International Technical Adviser (ITA)**

The International Technical Adviser (ITA) will be a full-time position. S/He will have the following responsibilities.

1. Technical Support for Programme Implementation. Provide overall technical direction for the combined programme and technical support to the Ministry of State Administration and Territorial Management (MSATM) for sound implementation of the LGSP. To this end the ITA will:

- Provide overall leadership, guidance and training to the national programme team
- Work with the national team in supporting programme implementation and institutional development at local level
- Liaise with and report to MSATM (Minister, Vice-Minister and senior officials) and the ITWG as regards the progress of implementation activities, highlighting emerging issues and problems, and proposing options for their resolution.
- Determine the need for additional external technical assistance and develop ToR for short term technical advisors required by the programme, guide these advisors, and interpret their recommendations into action plans for implementation.
- Contribute to the preparation of annual work plans and monitor the implementation in close collaboration with MSATM and UNCDF/UNDP
- Review and provide input to periodic progress reports and outputs produced by the project to redesign and improve project outputs
- Supervise implementation of sound M&E mechanisms in collaboration with the GoTL.
- Supervise and evaluate national programme staff and international consultants.
- Supervise implementation of procedures for programme operations, procurement, finance management, and HR .
- Represent UNCDF and act as a resource person in workshops, conferences and in meetings with GoTL, and the wider donor community in Timor Leste
- Oversee and authorize finance transactions in ATLAS, in liaison with the UNCDF Programme Officer
- Ensure that execution of LGSP is in accordance with UNDP/UNCDF procedures and regulations.

2. Policy advisory functions: Leadership and guidance to MSATM to ensure development and implementation of a national policy, legal and regulatory framework for establishing local government.

- Generally, facilitate and act as resource-person to the ITWG, and to the MSA (Minister, Vice-Minister and senior officials) in regard to development and implementation of the national policy, legal and regulatory framework.
- Provide policy lessons from the LDP pilot to GoTL and the IMTWG as input to the ongoing policy discussion on local government options for Timor-Leste.
- Oversee and provide technical input to the design of the Government regulatory framework and guidelines;
- Local Institutional setup of local government; Planning/budgeting procedures, Finance Regulation and procedures;
- Implementation procedures, in addition to strategic planning of implementation of a LG reform.
- Oversee and provide technical input to the design of a capacity-building strategy and programme for government staff and assembly members at all levels to ensure coherent implementation of new regulatory framework and procedures.
- Identify areas where external technical assistance will be required, draft ToR, provide guidance, and assist in translating recommendations into action.

- Provide other such advice and support as may be required by GoTL and UNCDF/UNDP. Provide other relevant professional advice and assistant as needed.

3. Support to the regional programme of UNCDF: Provide support to other UNCDF programme activities in the Asia region (insofar as Timor-Leste duties allow, and in consultation with MSATM and UNDP Timor-Leste):

- Provide technical support to other UNCDF projects in the region in areas such as development and implementation of one or other aspect of the local public expenditure management system.
- Provide training and support to Programme Officers and project teams
- Participate in local government-related policy research and advocacy activities

This position has already been filled through regular UNDP/UNCDF recruitment.

### **1. Gender Equality Specialist**

The Gender Equality Specialist will be hired for One year period (initially) with a dual role in: (i) providing technical support and advice to gender mainstreaming throughout local planning, budgeting, local service delivery and gender-disaggregated monitoring as well as decentralization and local governance legislation, and (ii) strengthen national and local level government staff and project staff capacities in this area. The Gender Equality Specialist is expected to work in close collaboration with the Secretary of State for Promotion of Equality (SEPI) under the guidance and supervision of the LGSP International Technical Advisor to ensure consistency of Government's approach on gender mainstreaming.

His/her key functions will include the following:

- 1) Revise the draft **Gender Strategy** for decentralization and local governance and support its implementation in close cooperation with the MSATM
  - Establish a base-line for gender mainstreaming for decentralization and local governance
  - Identify gender needs and priorities with regard to decentralization and local governance
  - Review the draft Gender Strategy and recommend possible changes, in close cooperation and discussion with the MSATM
  - Ensure consistency with GoTL's gender documents (RDTL Gender Focal Point Resolution 2008, SEPI's Strategic Plan 2010-2015, OPE Gender Mainstreaming Guidelines and SEFOPE's Gender Mainstreaming Strategy 2009)
- 2) Ensure that **Lessons Learned and best practices** for gender mainstreaming are being taken into account for LGSP's support throughout local planning, budgeting, local service delivery, monitoring and evaluation, policy advisory work on decentralization and local governance and communications and civic education work
  - Review LGSP's approach towards local level piloting throughout the Local Development Programme (LDP), policy and legislation advice and communications and civic educations support and make practical recommendations for ensuring gender-mainstreaming throughout LGSP's support
  - Work closely with the MSATM Gender Focal Point in ensuring that gender equality concerns are incorporated into all work of the Ministry of State Administration.
  - Liaise with UNIFEM, UNDP Senior Gender Advisor and the International Technical Advisor for the UNCDF Gender Equitable Local Development Project (GELD) to ensure that Good Practices and Lessons Learned from other countries are being taken into account
- 3) Strengthen national and local level government and project staff **capacities** for gender-mainstreaming, in particular

- Work closely with the MSATM Gender Focal Point and District level Gender Focal Points, providing training-on-the-job, in close coordination with the Secretary of State for the Promotion of Equality (SEPI)
- Conduct trainings for MSATM staff, Local Assembly members, District Administration staff and Suco Council members to strengthen local authorities' institutional capacities for gender responsive action in planning, budgeting, local service-delivery and monitoring.

Recruitment process for the Gender Equality Specialist is being concluded by UNCDF

## **2. Legal Specialist**

As part of LGSP's Policy & Legislation team, the Legal Specialist will provide advice, guidance and hands-on support to the Ministry of State Administration on legal issues, related to decentralization and local governance. S/he will work in close cooperation with the LGSP project team, particularly the LGSP ITA and Policy & Legislation team, in providing advisory support to MSATM

### **Summary of key functions:**

- Provide legal advice, guidance and support to the MSATM in drafting legislation, related to decentralization and local governance issues;
  - Support the MSATM in drafting and reviewing legislation, related to the District Integrated Development Planning (PDID) initiative, aimed at harmonizing and synchronizing processes and procedures at district level;
  - Support the drafting of subsidiary legislation, which will specify and complement the basic laws on local governance in the context of decentralization;
  - Provide legal guidance and advice with regard to the drafting and review of national legislation with relevance to decentralization and local governance issues, such as procurement and public financial management;
  - Assist in the professional development of national staff that provide legal and related support services to the MSATM, i.e.;
1. Provision of regular legal advice, legal guidance and legal support to the MSATM on local governance and decentralization issues/ Accurate and regular legal advice and legal support on decentralization and local governance provided to the MSATM;
  2. Support the MSATM in drafting and reviewing existent legislations related to the District Integrated Development Planning (PDID) / Decree-laws and regulations on the PDID drafted, finalized and revised on due time, following MSATM request and LGSP AWP 2011;
  3. Support the drafting of subsidiary legislations (including the local procurement regulation) which will specify and complement the three basic laws on local governance and decentralization/ Subsidiary legislations to the three basic laws on local governance and decentralization drafted according to the MSATM request and LGSP AWP 2011;
  4. Provide legal guidance and advice with regard to the drafting and review of national legislation with relevance to decentralization and local governance issues, such as procurement and public financial management / Legal advice and overall guidance for drafting and review of relevant national legislations in regards to decentralization and local governance issues provided to the MSATM and LGSP- UNDP- UNCDF and their partners, as - when requested;
  5. Assist in the professional development of national staff that provides legal and related support services to the MSATM / Coaching and opportunities for the capacity development of the national staff, specially, on legal matters, provided throughout the period of the contract.

The impact of the work of this position will be to strengthen, and harmonize the legal framework and procedures related to decentralization and local governance in Timor-Leste. It will also strengthen MSATM's capacities for drafting subsidiary legislation

The recruitment of the Legal Specialist is being concluded by UNCDF

### **3. Capacity Development Specialist**

The Government of TL is planning to introduce integrated program to accelerate community development in Timor Leste. The proposed program aims to support local development through direct engagement of rural citizens in programme planning and implementation. LGSP is well positioned to introduce community development initiatives that would assist in preparing the local communities to effectively engage with and benefit from the proposed programme. The Capacity Development Specialist would assist in developing appropriate policy and operational framework and guidelines as well as design specific interventions to enhance citizens' capacities.

#### **Key Responsibilities:**

- Provide policy advice to MSATM/GoTL on the community capacity development strategies (CCDS);
- Develop guidelines, operational systems and action plans to support implementation of the CDS;
- Assist ITA in designing and implementing community capacity development (CCD) interventions in line with proposed policy framework and national strategies;
- Assist ITA in designing and coordinating implementation of capacity development plans to enhance capacities of communities to effectively engage in local development initiatives including participatory planning processes, community contracting, oversight, monitoring and reporting;
- Assist ITA in developing and implementing a holistic approach to integrate CD approaches and interventions with overall LGSP framework;
- Design and implement training and orientation programmes on community development concepts, approaches, methodologies and experiences for government officials at national and local levels as well as for LGSP team;
- Establish coordination and monitoring mechanisms at national, district, sub-district and local levels for CD interventions. In this regard design and coordinate compilation of information and data to support CD planning, monitoring and reporting.
- Guide and monitor the work of district coordinators and community facilitators who would support implementation of the CD interventions at local levels;
- Design monitoring and evaluation system to assess progress on community development and local development interventions to be introduced under the proposed national programme;
- Undertake regular field visits to monitor implementation of CDS, identify challenges and propose remedial policy and operational actions for consideration by the policy makers and/or through LGSP;
- Coordinate with international partners to ensure synergies with other donor programme and avoid programme overlaps;
- Share knowledge, experience and lessons in CD from comparable countries in the region with MSATM and other national counterparts;
- Document lessons and experience of CD intervention in TL as on-going input to policy review and refinements;
- Contribute to the preparation of LGSP annual and quarterly work plan and progress reports.

#### **Profile**

- Demonstrated experience in designing and implementing CCD policies and strategies;
- Practical experience in designing and implementing CD interventions with focus on developing community capacities in participatory approaches;

- Strong background in designing and implementing community based capacity development initiatives

#### **4. National Senior Advisor Output 1/LDP Coordinator**

The National Senior Advisor and Output 1 Coordinator will work under the supervision of the International Technical Adviser.

She will have the following main responsibilities:

- establishing annual work plans/budgets for LGSP activities;
- coordinating and overseeing the implementation of LGSP activities in the Districts and Sub-Districts
- supervising the work of the LGSP's 2 National Planning officers; National Finance & Procurement officer; and National Technical Infrastructure Officer
- drafting regular narrative reports on the progress of LGSP's activities;
- determining the need for external technical assistance;
- coordinating financial reporting on pilot activities by the programme

This position has already been filled through regular UNDP/UNCDF recruitment.

#### **5. National Senior Advisor Output 2/Policy Coordinator**

As coordinator of LGSP's Policy & Legislation team, the National Senior Advisor will provide advice, guidance and hands-on support to the ITA and Ministry of State Administration on policy and legislation issues related to decentralization and local governance. He will work in close cooperation with the LGSP project team, particularly the LGSP ITA in providing advisory support to MSATM.

Under the direct supervision of the International Technical Advisor, the National Senior Advisor & Policy and Legislation Coordinator (two years contract) will:

- assist in the establishment of annual work plans/budgets for activities related to DRM implementation;
- provide advisory on policy and legislation on Decentralization and Local Governance to the ITA
- assist in the implementation of DSF-related activities;
- coordinate and support Technical Assistance missions;
- carry out background and technical research on lessons learned through LDP and policy and legislation processes;
- liaising with Ministerial Technical Working Groups on Decentralisation and Local Governance;
- facilitate workshops, seminars, and other consultations for stakeholders in the decentralisation policy implementation process;
- assist in ensuring good flows of information between the various agencies and stakeholders involved in decentralisation and local government reforms;
- prepare documentation and reports for DSF-related activities;
- ensure gender is mainstreamed in all DSF-related activities;

This position has already been filled through regular UNDP/UNCDF recruitment.

#### **6. National Operations Manager**

The National Operations Manager will report to the International Technical Advisor (ITA), and ensures the effective and efficient day-to-day project operations, including the recruitment, procurement, financial planning and management, IT, travel, logistics and asset management. Specifically the National Operations Manager will be responsible for the followings:

1. Coordinate the recruitment of staff and short-term consultants according to the recruitment plan and in timely and transparent manner, and staff performance is evaluated for contract renewal:
  - Coordinate the annual recruitment plan in consultation with the project team;
  - Facilitate each step of recruitment process, including the development of job descriptions, recruitment and interviewing, and selection processes;
  - Assist in conducting performance reviews and assist staff in fulfilling their work requirements and learning plans.
2. Facilitate the procurement of goods and services and asset management with the project team and operation units in the Country Office:
  - Coordinate the development of procurement plan with the project team:
  - Facilitate the process of procurement of goods and services, including the consultants and equipment (IT equipment for LGSP and Local Assemblies, etc.);
  - Keep asset inventory updated and arrange asset disposal if and when necessary.
3. Ensure the sound financial planning and management, using ATLAS system:
  - Support the development of the annual work plan 2011 and budgets that cover technical, management and administration, and financial aspects of LGSP and clearly define indicators and targets for activities;
  - Review financial reporting and monitoring expenditures with Atlas;
  - Support the coordination of input from different teams within LGSP for the preparation of quarterly, mid-year and annual progress report 2010 (APRs), narrative as well as financial, on progress and results achieved.
4. Address other operational issues in accordance with the UNDP Rules and Regulations:
  - Coordinate IT, travel and other logistical/administrative arrangements with relevant units at UNDP-CO and UNCDF;
  - Supervise the operation team of the project for smooth operational management;
5. Any other operational tasks requested by ITA.

## **7. Planning Officer**

Under the direct supervision and guidance of the International Technical Advisor (ITA), the Monitoring and Evaluation Officer will be primarily responsible for cross-cutting M&E activities, as well as for providing practical assistance to central and local counterparts in the field of M&E. Specifically, the Monitoring and Evaluation Officer will:

- Design and develop an overall M&E framework for the programme and MSATM;
- ensure that the information necessary for regular M&E of project activities is collected and analyzed, in accordance with LGSP and donors' needs;
- assist the Ministry and local authorities in tracking their performance and public service delivery activities;
- regularly update the programme's Monitoring and Information System (MIS);
- contribute to regular reporting on LGSP progress;
- carry out regular field visits to districts;
- Perform other tasks as required by the ITA.

## **8. Finance/Procurement Officer**

Under the direct supervision of the National Programme Coordinator (Pilot Activities) for LGSP the Finance Officer will:

- assisting in and advising on the design of the programme's financing modalities and financial management procedures.

- overseeing the implementation of the programme's financial management procedures at district and sub-district levels.
- Ensuring that capacity-building in the area of financial management is consistent with programme procedures.
- tracking and recording programme expenditures and fund flows.
- managing programme budgets and expenditures under the supervision of the programme manager.
- providing regular financial reports for the programme as requested.
- backstopping planning, budgeting, and implementation activities at district and sub-district levels.
- assisting baseline surveys
- regular field visits to pilot district
- perform other tasks as required by the PM

## **9. Communication Officer**

Under the guidance and supervision of the International Communication Analyst, and in close collaboration with the UNCDF International Technical Advisor as well as the national Programme Manager (under recruitment), the incumbent will be responsible for producing and disseminating public information about LGSP and general communication needs of the Ministry of State Administration. He/she will be based at the Ministry of State Administration and will report to the LGSP Programme Manager and the International Communication Analyst.

The National Communication Associate will:

- Implement the communication strategy for the decentralization process in conjunction with Government staff and with the assistance from the International Communications Analyst
- Support preparing communication content and messages about LGSP and MSATM which are accessible to the general population
- Support producing public information materials for print, radio and television media, including recording audio materials, editing, transcription, photography, layout, printing, and other production activities as required
- Assist in updating and maintaining MSATM website in English and Tetun
- Assist in organizing public events, seminars, trainings and workshops
- Support in the creation and maintenance of a LGSP video and photo library
- Support the International Communication Analyst in liaising with the UN Communication Group and UNCDF HQ Communication Unit
- Organize and manage media coverage of LGSP and MSATM events, including traveling locally as required
- Perform daily media monitoring (both local and international) on topics of interest for LGSP and MSATM
- Support development and implementation of communications training materials for LGSP, MSATM, and district-based staff as well as local authorities
- Coordinate internally with LGSP and MSATM staff in order to gain access to regular information about LGSP and Ministry activities
- Support in establishing mechanisms to effectively distribute and disseminate LGSP, MSATM and other Government information to target audiences, especially rural audiences, as necessary
- Assist in monitoring and evaluating information dissemination and the impact of communication materials, and socialize this information within LGSP and the Ministry
- Any other duties as required by the International Communication Analyst and PM.

## **10. M&E Officer**

Under the direct supervision and guidance of the International Technical Advisor (ITA), the Monitoring and Evaluation Officer will be primarily responsible for cross-cutting M&E activities, as well as for providing practical

assistance to central and local counterparts in the field of M&E. specifically, the Monitoring and Evaluation Officer will:

- Design and develop an overall M&E framework for the programme and MSATM;
- ensure that the information necessary for regular M&E of project activities is collected and analyzed, in accordance with LGSP and donors' needs;
- assist the Ministry and local authorities in tracking their performance and public service delivery activities;
- regularly update the programme's Monitoring and Information System (MIS);
- contribute to regular reporting on LGSP progress;
- carry out regular field visits to districts;
- Perform other tasks as required by the ITA.

### **11. Infrastructure Technical Associate**

Under the direct supervision of the Local Development Programme (LDP) Coordinator and the overall guidance from the Project Manager and the International Technical Advisor (ITA), the Infrastructure Technical Associate will:

- Provide Support to the National and District technical staff in pre- and post project assessment surveys, including measuring sites, mapping infrastructure gaps (services and facilities) and assessing the required interventions (e.g. rehabilitation of roads and sewage systems, improving communal water access and other public facilities, construction qualities/building stabilities etc);
- Provide Support to the National and District technical staff in translating design concepts and drawings into working documents for:
  - (i) Tendering and contracting (Tender documents for design and build contracting, including plans, Bill of Quantities with description of particulars and technical specifications ( building materials, quality and safety standards, special features, etc)
  - (ii) Construction works (Tender Documents for contracting only, including Bill of Quantities with plans).
  - (iii) Design interior and landscape design, with description of particulars and technical specifications (building materials, quality and safety standards, special features, etc)
- Preparation of documents for mid-term evaluation and impact assessment, quarterly, annual and final reports.
- The National Engineer will play a key role in the design, planning and implementation of all Infrastructure Projects developed and funded under the LDP, ensuring the quality of construction materials and construction works.
- Perform any other duties as requested by the supervisor.

The Infrastructure Technical Associate is expected to deliver the following outputs:

- Provide technical training to the National and District technical staff in budgeting plan, analysis of coefficients, drawings, surveys and other related techniques.
- Provide support Engineering Design of all Infrastructure Projects developed and funded under the Local Development Project (LDP), including of service-utilities (water and sanitation, road, electricity) and all aspects of building.
- Provide Support design and planning, costing and design revisions, preparation of tender documents and Bill of Quantity/BoQ (general and specific with breakdown of materials required, including specification of the required elements/objects and materials);

Provide regular report on the technical support to the planning & implementation of the project infrastructure including training activities as well as inputs to the LGSP quarter and annual report.

### **12. Policy and Legislation Associate**



Under the direct supervision of the Policy and Legislation Coordinator and overall guidance of the LGSP Programme Manager and International Technical Advisor, the Policy and Legislation Associate will:

- assist in the development and monitoring of annual work plans/budgets for activities related to decentralization and local governance policy;
- support the Ministry of State Administration and Territorial Management (MSATM) in implementing activities related to decentralization and local governance policy, particularly the Decentralization Strategic Framework (DSF);
- support the facilitation of Technical Assistance missions;
- assist and or carry out background research on lessons learned through LDP and policy and legislation processes;
- provide technical and administrative support to the Ministerial Technical Working Groups on Decentralisation;
- facilitate workshops, seminars, and other consultations for stakeholders in the decentralisation policy implementation process;
- assist in ensuring good flows of information between the various agencies and stakeholders involved in decentralisation and local government reforms;
- assist in preparing documentation and reports for DSF-related activities;
- ensure gender is mainstreamed in all DSF-related activities;
- Assist the Policy and Legislation coordinator and the PM as requested.

### **13. Admin and Finance Associate**

Under the supervision of the Operations Manager, the Administration and Finance Associate will be responsible for performing a variety of Administration- and Finance functions in the following areas:

#### **DUTIES AND RESPONSIBILITIES:**

- Exchange of official correspondence related to the project activities.
- Prepare documentations for discussion and briefing sessions;
- Maintain office filling system, monitoring staff leave balances and prepare minutes of the meeting;
- Assist in developing project budget and prepare necessary documentation to activate revised budget and on regular monitoring of implementation progress and financial disbursement;
- Provide monthly/quarterly financial report on project budget;
- Prepare advance payment request/ other payment request;
- Regularly monitor the financial transactions to maintain project financial account in order;
- Manage Petty cash for office management as required in line with UNDP processes;
- Work in ATLAS system to raise requisitions, voucher payment and travel authorization;
- Process salary payment and travel settlements;
- Maintain receipt of payment;
- Assist procurement for goods and services and personnel matters;

- Liaise with CO (country director office Deputy county director for operations, Human resources, Finance, travel and UN COA, MOVCOM and other offices in relations to all project document and request.
- Perform Other Administrations and Financial duties as requested by the Operation Manager.

#### **14. Driver and Logistic Coordinator**

Direct supervision: National Programme Manager LGSP.

##### **Duties and Responsibilities such as following:**

- Assist the Admin Assistant to provide logistical support to programme operations;
- Coordinate, plan schedules for all drivers and oversee LGSP drivers in regards to official field visits and other meetings.
- Ensure that all LGSP cars are in good conditions at all times, including daily maintenance checks (checks oil, water, battery, brakes, tires, etc., performs other minor repairs and arranges for external repairs and ensures that the vehicle is kept clean and in good working order, oil changes, and greasing) in addition to keeping a maintenance log and schedule cars for regular maintenance for all cars;
- Ensure that all LGSP drivers keep car logs and fuel logs (logs official trips, daily mileage, gas/fuel consumption) and summarize all car logs by the end of each month in one report for management purposes;
- Ensure timely annual vehicle inspection and registration with the Ministry of Transport of all cars;
- Ensure that the official steps are followed as required by UN rules and regulation in case of any of involvement in accidents.
- Organize logistical to support the LGSP staff during workshops and trips to the districts facilitating their movements, and assisting with photocopying and other related duties needed by them.
- When needed function as a driver for the LGSP staff and other authorized personnel, deliver and collect mail, documents and other supplies and equipment.
- Perform any other duty as required.

#### **15. Driver**

The Driver is expected to assume the following responsibilities:

- Driver for the LGSP staff, transport authorized personnel and deliver and collect mail, document and other supplies and equipment;
- Assume the day-to-day maintenance of the assigned vehicle; Checks oil, water, battery, brakes, tires, etc, performs other minor repairs and arrange for external repairs and ensures that the vehicle is kept clean and in good working order, logs official trips, daily mileage, gas/fuel consumption, oil changes, greasing and other services and timely annual vehicle inspection and registration with the Ministry of Transport, etc.
- Accompany LGSP staff on field trips to the districts;
- Ensure that the steps required by rules and regulation are taken in case of any of involvement in accidents;
- Collect and deliver mail, pouches and other documents from and to the post office, airport, government agencies or UN organizations. Operates photocopying and other office equipment;
- Support the LGSP staff during workshops and trips districts, facilitating their movements, and assisting with photocopying and other related duties needed by them;
- Perform any other duty as required.

#### **16. Cleaner**

##### **Duties and Responsibilities:**

- Responsible for day to day office cleaning;

- Check water including water for drinking and check electricity as well as control of AC in the Office;
- Provide information or regular report to Administrative Assistant on cleaning materials or equipment (for example report on cleaning activities and request for buying cleaning materials or fix the cleaning equipment if needed);
- Prepare coffee and snack for meeting;
- Assist in making photocopy, binding book and packing books in box if needed;
- Assist in packing books or documents which produced from the Communication Unit of LGSP;
- Assist in purchasing cleaning materials including toilet materials;
- Assist the Administrative Assistant on stationary purchasing for Office ( if needed), and
- Perform other work required by Admin assistant and other staffs.
- International Technical AdvisorInternational Technical Advisor

**Annexes 2:**

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- ✓ Technical Note 1: Overview of proposed Gender Strategy
- ✓ Technical Note 2: Performance Based Grant System (PBGs)
- ✓ Technical Note 3: Capacity Development Strategy
- ✓ Technical Note 4: Technical note on preparation of a District medium-term expenditure framework
- ✓ Technical Note 5: Technical Note on M&E and establishment of a Ministry MIS

### **Technical Note 1: Overview of proposed Gender Strategy**

In order to promote a system of good governance, one where both men and women can participate fully, gender concerns must be addressed. Strengthening governance systems at the local level offers opportunities for increased participation by citizens, as well as greater downward accountability and responsiveness of government to the needs of the people. However, in introducing and strengthening local governance mechanisms for citizen-state interface, it is important to recognize that men and women may not have the same needs and priorities, and women may not have the same capabilities and opportunities as men to participate in decision making and political processes, as well as to access and act on public information.

The overarching goal of LGSP II is to contribute towards poverty reduction in Timor-Leste, including through support to local government bodies for participatory, accountable, and transparent processes for service delivery and infrastructure investments. Given women's traditional responsibilities in areas such as health, sanitation, and nutrition, it is imperative that they are consulted in the design and implementation of public services. A primary objective of gender mainstreaming initiatives therefore is to ensure that the legal and policy framework and institutional mechanisms for local governance will:

- recognize, protect and promote the political rights of women, on an equal basis with men, to representation and participation, and
- respond to the different or unique needs of women in the design and implementation of public services.

In a cross-cutting manner, through the activities outlined in both Outcome 1 and Outcome 2, gender mainstreaming and addressing gender concerns is a key objective of the LGSP II, including through the following:

- Identifying linkages and synergies between LGSP II and other government and non-government programs aimed at promoting women's empowerment and gender equality, including through actively liaising with the Secretary of State for the Promotion of Equality (SEPI);
- Revision and updating of the Decentralization Strategic Framework (DSF) II, which effectively constitutes MSATM's short/medium term work plan for local governance reform, will include dedicated attention to addressing gender issues;
- Development of frameworks, guidelines, and tools for local planning, financial management, procurement, and M&E will include mechanisms for gender mainstreaming and promoting women's participation in local processes;
- Development of information, education and communication (IEC) campaigns will be gender responsive, and will take into account the fact that there are more illiterate women than men, increasing their disadvantage in accessing public information;
- The Performance Measures (PM), a key element of a Performance-Based Grant System (PBGs), which include PMs specifically designed to measure performance of local government bodies in addressing gender concerns and mainstreaming gender;
- Provision of specific training and confidence-building activities for female members of local decision-making bodies to enhance the quality of their participation in deliberations and ensure that gender issues are taken into account during discussions;
- Revision and updating of the Capacity Development Strategy (CDS) will include a focus on identifying specific capacity needs and corresponding strategies related to women's participation and the capacity of local and national bodies to address them.

In addition to the specific initiatives described above, the commitment of LGSP II to address gender concerns is also evidenced by the fact that an international gender specialist will be recruited as part of the core LGSP II team. This gender specialist will have overall responsibility for ensuring that the gender components of LGSP II are fully implemented. Details on the responsibilities for this position can be found in the ToRs, also annexed to this document.



## Technical Note 2: Performance Based Grant System (PBGS)

### Introduction:

This short technical note (TN) provides a set of recommendations for how to refine the existing basic performance based system of Minimum Conditions (MCs) for grant access to a fully-fledged performance based grant system (PBGS) in Timor-Leste.<sup>4</sup>

Under the LDP/LDF only a few Minimum Conditions (MCs), which should be considered as triggers of access, were applied to the District fund allocations. However, over the years the number of MCs has gradually increased from 3 to 10, which are too many to be seen as triggers and it seems that the system is ready for an upgrade to a more sophisticated system which introduces more qualitative performance measures (PMs) whereby the size of the grants is adjusted against performance in a number of beforehand defined performance areas. It is also recommended to simplify and clarify the minimum conditions and restrict the use of these to a few basic safeguards for allocation of funds.

### Main Concept of PBGS<sup>5</sup>

The overall **rationale** for a PBGS is that it provides tangible incentives for local governments (LGs)/institutions – in the case of Timor-Leste this would be the Districts and/or Sub-Districts - to improve their performance by linking their access to grants and/or the amounts disbursed to their performance in predetermined areas. It supplements other grant objectives and complements other incentive frameworks, e.g. salary and career incentives. There are a number of specific objectives of a PBGS, but in general a PBGS:

1. provides strong **incentives** for LGs to improve in key **performance** areas and adhere to national standards (core objective);
2. ensures that spending takes place where there is a clear **absorptive capacity** – it provides basic safeguards against misuse of funds and reduces fiduciary risks to an acceptable level;
3. supplements **Capacity Building (CB) needs assessments** and monitoring and evaluation systems since the PBGS assessment itself is a very useful tool for identifying the functional capacity gaps in any LG and an effective tool for linking the needs assessment with actual support;
4. improves **management** and **organisational learning**, as the initiatives will continuously be monitored and assessed;
5. strengthens **capacity development** efforts (focus and incentives) since with the PBGS, LGs have stronger incentives to use CB support efficiently, as their performance is linked to funding – CB initiatives are thus more targeted towards addressing identified weaknesses, and more likely to be “translated” into actual;
6. improves **accountability (upward, downward and horizontal)** since indicators are included in the assessment tool which promotes good governance and participation, strengthening of the relationship between tiers of governance and citizens, and to improve citizens’ access to information;
7. proves to be a very useful tool to bring funds from development partners (DPs) on-budget and promotes a greater level of **streamlining**, mainstreaming and coordination of DP support.

The PBGSs supplement other more traditional ways and means to ensure LG performance, such as rules and regulations, awareness raising and communication, audit and inspection, minimum standards and output control. By linking the level of funding that LGs receive in the form of fiscal transfers to their performance, a PBGS can provide incentives for LGs to improve themselves in a wide range of areas (such as revenue collection, planning, budget execution, downward/upward /horizontal accountability, financial management/procurement, good governance in general). Given the “right” arrangements and context, the calibration of intergovernmental fiscal

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<sup>4</sup>This TN is based on mission report and recommendations prepared by Jesper Steffensen, October 2010

<sup>5</sup>The overall concept of PBGS is described in great details in the recently published book from UNCDF: “Performance-Based Grant Systems –Concept and International Experience”, 2010

transfers to LG performance can give LG capacity building more meaning and greater purpose, encourage LGs to do better all round, and significantly reduce the fiduciary and other risks associated with fiscal decentralisation.

### **Main features of the system**

Most PBGSs include the following three components: 1) development grants; 2) capacity building and 3) annual performance assessments. Most PBGS includes **minimum conditions (MCs)** for access to funds and more qualitative **performance measures (PMs)**, which determine the size of these grants. The choice of possible indicators will largely depend on the method for assessment. In a “typical” PBGS LGs need to show that they have complied with basic or Minimum Conditions (MCs) in order to access their grants (or a part of them) from the central government – MCs, which are usually based on statutory provisions and are either complied with or not and they are intended to measure the basic capacity of a given LG to perform its functions. Many MCs are designed as basic safeguards to bring down fiduciary risks to an acceptable level.

By taking the system one step further and introducing PMs which are pre-determined and agreed indicators that the LGs will be assessed against. In contrast to MCs, the measurement of performance is more nuanced and “qualitative” and the LG performance is assessed to be *more or less good/bad*. The result will influence the size of the grant allocation which will either increased or decreased depending upon their performance across a range of measures. What is vital to note here is that a PBGS is intended to operate as a set of incentives for improved LG performance. Good LG performance, whether “absolute” (as in the case of MCs) or “relative” (as in the case of PMs), is rewarded through eligibility for grants and/or through access to larger or smaller grants. The PBGS are based on close relationship between the development grants and the capacity building support, and weak performing LGs will be able to access a CD grant which will focus attention on the weaknesses identified.

### **Future considerations for Timor-Leste**

An informal system of performance-based allocations is already in place through the MCs assessment system. It is prudent to base the future system on a number of core design principles, as described below:

1. the PBGS will in the first stage target the **multi-sectoral budget line** or the district budget which is discretionary block grants to the districts;
2. the future **MCs** should only focus on basic safeguards for capacity and sufficient financial management performance to trust handling of discretionary funds. Other ‘measures’ should be moved into the performance measures;
3. indicators should cover areas under performance attribution of the districts (districts should only be measured on indicators that are the result of their own decisions, actions and capacity or lack of the same) and should be clearly defined;
4. indicators should focus on cross-sectoral institutional issues, as the grant is targeting the multi-sectoral investment areas it will probably be most appropriate initially to focus on *generic* performance areas which are core for the operations of the LGs, and if improved, will benefit all sectors (includes areas such as planning, financial management performance and capacity, focus on cross-cutting issues, project implementation performance and governance/transparency);
5. there should be an objective assessment and strong transparency and communication on results, i.e. move away from assessment done by MSATM. There should be no exemptions from results, but it may be considered to introduce an entitlement component in the tune of 20 % (+/-) of basic component + the annual recurrent budget in case the MCs are not complied with, combined with stronger monitoring/control of these poorly performing districts;
6. the system should be kept simple due to considerations on the transaction costs and the existing level of the decentralized system in Timor-Leste;
7. develop the system in 2012 and pilot test it in a few districts in 2013 onwards.



### **Technical Note 3: Capacity Development Strategy**

The objective of this annex is to give an overview of the Capacity Development (CD) strategy of LGSP II. This annex aims to draw together in a coherent manner the discussions on CD activities and approaches which appear, in a cross-cutting manner, across the various sections of this project document. The Capacity Development (CD) strategy of LGSP II can be divided into two distinct components. The first, and main, component is comprised of the actual capacity development activities to be undertaken through LGSP II, and how they contribute towards meeting the project's overall objectives. The second component of the LGSP II CD strategy addresses the issue of how the project itself – for example through its structure, staffing, and operations- can play a critical enabling role in institutionally strengthening the Ministry.

#### ***Capacity Development Focus of LGSP II***

The CD approach of LGSP II combines a continuation of what worked well in LGSP I while expanding and introducing additional capacity development activities towards a more comprehensive overall strategy. As related to the former, LGSP II will continue to build on the momentum and successes of the 'learning-by-doing' approach to supporting capacity development for local administrations in functional areas such as planning, financial management, and procurement. As was the case in LGSP I, so too will LGSP II focus on capacity development as a means to an end, rather than as an end in itself. That is, there will be a continued emphasis on ensuring that capacity development activities contribute towards the project's ultimate objectives of improving services delivery, reducing poverty, and promoting local development.

However, LGSP II also introduces a number of CD initiatives which represent either an addition to or an expansion of the LGSP I approach to capacity development. While these are detailed in the narrative sections for Output 1 and Output 2, as well as in the RRF of this project document, it may be useful in the present annex to point out the key features that unify these discrete activities into an overarching CD strategy for the project, including the following:

- There is a focus on gradually introducing a more demand-driven and need-based approach to providing capacity development support to local bodies and administrations;
- There is an emphasis on strengthening institutional arrangements and promoting effective coordination mechanisms between MSATM (as represented at both national and sub-national levels) and other sectors (central line ministries and sub-national sector departments);
- LGSP II will continue to invest in CD support at the local level, but has a greater focus than its predecessor project on CD support at the national level and as related to the enabling environment;
- There is a strong focus on accountability, and corresponding CD support to strengthen accountability and M&E mechanisms;
- There is a focus on monitoring and measurement of the results of CD interventions, as well as on sustainability of CD support.

#### ***The Role of the Project in Capacity Development***

In addition to 'what' CD activities LGSP II supports, 'how' LGSP II provides this support will also have a bearing on whether the project creates an enabling environment of ownership, sustainability, and endogenous processes, rather than a disabling environment of stand-alone, ad hoc, or externally imposed processes.

In formulating the LGSP II, these issues have been taken into consideration in the following ways:

- LGSP II will take a more institutional approach to working with the Ministry, supporting not only DNDLOT but also actively supporting and collaborating with other Directorates as well as with INAP on activities that fall within their respective mandates;

- There will be a revision to the ToRs of some LGSP II project staff, to reflect new roles and responsibilities for implementing activities in the project (and make distinctions between roles of project staff and government staff), as well as to specify changes to the counterpart structure;
- The project will also support a process of dialogue within the Ministry to identify and clarify overlaps and gaps in the mandates and roles of the various Directorates; in implementing the activities of LGSP II, there will be a concerted effort to working with the appropriately mandated Directorate;
- LGSP II will also support the institutional strengthening of the Ministry through the process of piloting NIM arrangements.

#### **Technical Note 4: Technical note on preparation of a District medium-term expenditure framework**

The present planning framework developed under the LDP is an annual framework with focuses largely on infrastructure projects. There is a need to move away from this approach and commence building the capacity of the local level to work within a medium-term planning and budgeting framework.<sup>6</sup> A medium-term expenditure framework (MTEF) is a framework which is designed specifically to link a medium term planning outlook with an annual budget which therefore links budgetary expenditures in a more systematic way with socially desired outcomes. The present national system in Timor-Leste is based on a five year MTEF, and it is within this framework that it is proposed to commence looking at a simplified system for the local level, moving away from the present focus on annual planning and budgeting processes.

The proposed pilot planning and budgeting process will result in three distinctive outputs which are based on a bottom-up planning process with hard budget ceilings from central government:

- A five year District Development Plan (DDP);
- A three year rolling District Investment Program (DIP);
- The annual budget of the District.

The primary purpose of the DDP will be to establish the strategic development priorities for the territory of the District and set the policy framework for preparation of the DIP, in addition to enhance coordination between the local administrations, Ministries delivering services in the territory of the District, and civil society organisations. The DDP is prepared by the District Administrator with the assistance of the District Development Planning Committee and gets final approval by the District Development Committee (DDC). In preparing the District Development Plan the Mayor shall take into account national planning priorities, sector plans and the needs and priorities of local citizens expressed through the Suco Councils.

The DIP prioritises projects (meaning interventions to strengthen service delivery, which can have both capital and recurrent cost components) in line with the priorities established in the DDP, and matches these projects to an estimated resource envelope for the coming three years. The first year of the DIP shall commence in parallel with the first year of the DDP, and thereafter updated annually. Basically, the DIP identifies priority investments to strengthen delivery of public services in the District in line with the priorities established in the DDP. The DIP matches these priority investments to an estimate of the resources available to the District Administration over a three-year period. The DIP reflects both capital and recurrent costs implications of investments in addition to estimated resource envelopes. The DIP will be prepared through a process which is very similar to the process used for annual planning under LDP. The key differences will be that (1) the policy framework will be provided by the DDP; and (2) that the DIP will be a three-year rolling plan.

Preparation of projects proposed for Year 1 of the Investment Program should begin during the preparations of the DIP process. For some types of project, requiring a long preparation period, it may be desirable to begin preparation when the project is confirmed in Year 2 of the DIP during the first year.

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<sup>6</sup>This TN is based on a mission by Julian Abrams, 2010

### **Technical Note 5: Technical Note on M&E and establishment of a Ministry MIS**

LGSP has for the past three years supported the establishment of a small M&E section within DNDLOT in terms of data gathering, monitoring of LDF expenditures, process and training initiatives on a gender disaggregated basis. This has enabled the Ministry, and the project, to produce, inter alia, accurate data in terms of sector investments, women's participation in local processes, and the effectiveness of the local procurement system. This has been very useful and is something that should be continued and institutionalized.

There are several factors that have the potential of supporting a more vigorous M&E system in the Ministry:

- The newly established National Directorate for Planning, Evaluation and External Cooperation (January 2011) within the Ministry of State Administration and Territorial Management would be an excellent candidate for owning this the national MIS and provide guidance on M&E and annual assessment of performance;
- Piloting a new Performance Based Grant System (PBGs) linked to annual assessments provides not only data on the supply side but also on the overall capacity of the system;
- The establishment of an internal audit division within the Ministry provides an internal audit capacity (financial and process) which should be explored and supported.

It is therefore recommended that a M&E framework is put in place, building on what is already there, and the establishment of a national MIS with links to all the districts which is setup to capture: local socio-economic data, local investments, monitoring of the system and processes, annual performance, and audit findings to give some examples.

Previously a MIS was put in place at both national and local level to capture personnel and asset register, one should assess if there is a possibility to build on this system.