

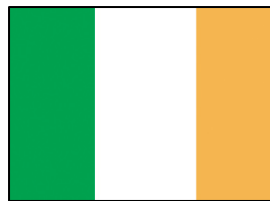


*Timor-Leste*

---

*Project Update*  
**LOCAL GOVERNANCE SUPPORT PROGRAMME (LGSP)  
THIRD QUARTERLY REPORT**

**July-September 2007**



**Table of contents:**

<b>Programme Summary</b> .....	3
<b>I. Programme overview</b> .....	4
<b>II. Achievements and Challenges during the reporting period</b> .....	6
<b>Output 1: Pilot component</b> .....	6
<b>1.1 Local Assemblies:</b> .....	6
<b>1.2 Minimum Condition (MC) evaluation:</b> .....	7
<b>1.3 Citizen Engagement component:</b> .....	7
<b>1.5 Planned activities for the next quarter:</b> .....	7
<b>Output 2: Policy and legislation</b> .....	8
<b>2.1 New Minister and Secretary of State for Public Administration reform</b> 8	
<b>2.2 National Consultation</b> .....	8
<b>2.3 Expected change in previous approved policy:</b> .....	9
<b>2.4 Postponed TA mission for Legislative Proposals:</b> .....	9
<b>2.5 Planned activities for the next quarter:</b> .....	10
<b>Output 3: Implementation</b> .....	10
<b>3.1 External Communication Unit</b> .....	10
<b>3.2 Planned activities for the next quarter:</b> .....	10
<b>III. Concluding remarks</b> .....	11
<b>IV. COMMENTS TO AWP 2007: PROGRESS COMPARED TO ANNUAL WORKPLAN</b> .....	12

## Programme Summary

Programme Name:	Local Governance Support Programme (TL-LGSP)
Project Number UNCDF:	00054392 & 00054393
Project Number UNDP:	00053898
Start date:	January 2007
Duration:	5 Years
Total Budget:	US\$ 7,728,290 million
Secured Funding:	US\$ 6,987,000 million
Sources of Funding:	UNCDF 650,000 US\$ UNDP 1,067,000 US\$ Government of Ireland 1,800,000 US\$ Government of Timor-Leste 3,470,000 US\$
GoTL Counterpart:	Ministry of State Administration
Executing Agencies:	United Nations Capital Development Fund United Nations Development Programme
Direct Beneficiaries:	1) Population in Pilot Districts, including <ul style="list-style-type: none"><li>• Bobonaro District Population: 82,385</li><li>• Lautem District Population: 57,453</li><li>• Aileu District Population: 36,889</li><li>• Manatuto District Population: 38,580</li></ul> <p style="text-align: right;"><b>Total population: 215,307</b></p> 2) Suco Council representatives in the Local Assemblies; 3) 11 Ministerial Technical Working Groups 4) Ultimately all citizens in Timor-Leste

## I. Programme overview

LGSP is the successor programme to two separate, but inter-related projects; the Local Development Programme (LDP) 2004-6 and the Local Government Options Study (LGOS) 2003-6. As such, LGSP will:

- continue to pilot local governance and local development procedures and processes in order to generate further policy-relevant lessons that will be of practical value in formulating and implementing decentralisation policy;
- provide the government with technical and other support in the fine-tuning and finalisation of its policy on decentralisation and local government;
- assist the government in actually establishing a functioning local government system.

The Timor-Leste LGSP is institutionally housed in the National Directorate for Territorial Administration (DNAT) as an integral part of the Ministry of State Administration and Territorial Ordinance (MSATO). The LGSP's PMU will effectively constitute the core technical personnel of the Decentralisation Secretariat in DNAT.

The programme is a joint programme funded by GoTL, Irish Aid, Government of Norway, UNDP and UNCDF and will be implemented over a 5-year period, beginning in January 2007.

### Objectives and Outputs

The over-arching goal of LGSP is to contribute towards poverty reduction in Timor-Leste. The programme's purpose (or objective) is to support the establishment of accountable and effective local government. Decentralisation, by endowing accountable local government bodies with greater responsibilities for planning, budgeting, and implementation of infrastructure and service delivery, would result in an improved focus on the rural poor, greater allocation efficiency, better implementation arrangements, and enhanced responsiveness.

To achieve its purpose, LGSP will deliver three key outputs:

**Output 1: Procedures, processes and systems for effective local-level infrastructure and service delivery (ISD) and public expenditure and public financial management (PEM/PFM) are piloted in selected Districts, Sub-Districts and Municipalities.**

This output is clearly a follow-on from the former LDP in that it will provide opportunities for the continued piloting of procedures and systems linked to local-level infrastructure and service delivery and local PEM/PFM. Under this output, piloting activities will initially take place under the same arrangements as applied to the LDP – with Local Assemblies operating on the basis of Ministerial Decree No. 8/2005, issued by the Ministry of State Administration. Pilot activities will be initially undertaken in four Districts<sup>1</sup>, but will be expanded to more Districts depending on how rapidly local government is phased in. As

---

<sup>1</sup> Bobonaro, Lautem, Manatuto and Aileu.

and when the pilot Districts are “municipalised”, piloting will continue – with LGSP operating intensively in those ex-Districts (and new Municipalities) to further pilot and fine-tune local government systems and procedures.

**Output 2: Support is provided to GoTL for the establishment of an appropriate and comprehensive institutional, legal, and regulatory framework for local government**

The delivery of this output<sup>2</sup>, which is very much a continuation of the work already done by LGOS, will be an essential prelude to the establishment of a fully-fledged system of local government in Timor-Leste. Ultimately a series of legal instruments will need to be drafted, discussed and, in the case of laws, submitted to the National Assembly for review, possible amendment, and approval.

**Output 3: Support is provided to GoTL for the implementation of local government reforms.**

The third LGSP output<sup>3</sup> that will be delivered by LGSP concerns the actual putting into place of Municipalities and the institutional/legal framework that will have been established with programme support (as specified under output 2). How LGSP will provide the government with support for implementation of local government reforms will very much depend on final decisions about the phasing of this process.

---

<sup>2</sup> Clarification on the description of the Output: while LGSP can provide various kinds of support, clearly the actual decisions in regard to establishing the framework are the sole domain of GoTL and the National Assembly.

<sup>3</sup> Clarification on the description of the Output: while LGSP can provide various kinds of support to implementation, the decisions and the responsibility regarding implementation are the sole domain of GoTL authorities.

## **II. Achievements and Challenges during the reporting period**

During the initial 1-2 years of the programme the main focus is on output 1 and 2 of the programme, however LGSP has now initiated the support to the establishment of a new communication component within the Ministry under output 3. The objective of the initial activities under output 3 is to increase level of information about the decentralization reform and to establish mechanisms for internal and external communication/information between national and local level.

The activities originally planned for the remaining part of 2007 are still under consideration since there has not been a decision in regards to the proposed changes to local government policy and up-scaling of the LDP to additional districts. The changes in Government, the changes of the fiscal year and a possible new Government policy have led to the postponement of many planned activities for the third quarter and will have large impact also for the fourth quarter activities for LGSP. The delay of activities will also impact the overall budget execution of the programme for 2007. However, all of these factors are external factors and outside of the control of LGSP.

### **Output 1: Pilot component**

#### **1.1 Local Assemblies:**

According to the planned schedule and the previous FY, the LAs were to commence a new PEM cycle in July 2007. However, due to the change of the FY to a calendar year, implementation of Annual plans and budgets will not start until January 2008 which is in line with the new Government budget year (January to December). This has resulted in very low activities for the LAs during this transitional phase and also low execution from LGSP since the transfer of the LDF and related activities will only take place in January 2008.

By the end of this reporting period 70% of local contracts have been completed in Lautem while Bobonaro has completed about 90%. In total, out of the 54 approved projects only one project has not started and might have to be cancelled, 11 are ongoing reporting ongoing at this stage.

20 out of the 25 LA have submitted their finance reports for quarter four, only the five LAs in Aileu did not manage to report on time (30 days after the closing of the FY). It is not clear if all, or only some, of the five LAs that have yet to prepare their reports were delayed because they chose a joint submission. Based on the initial review it seems that the LA Finance teams and the District Treasury have improved their performance and understanding of financial process and this is a very encouraging development.

Refresher training to the LAs in Bobonaro District was held in August and September. In total 133 participated in this training. Bobonaro District was the first pilot district and initial training was held in Bobonaro in January 2005, it was therefore necessary to provide a refresher course on the details of guidelines and procedures. It was also an opportunity to provide feedback on present weaknesses to the LAs.

## **1.2 Minimum Condition (MC) evaluation:**

The annual MC evaluation by the Ministry was executed during the month of July and the report has now been submitted to the Minister and to LGSP for review. According to the report, 24 out of the 25 LAs have met the MC as established by the regulations for the LDF. The SDA in Cailaco, however, did not meet the set conditions: though they approved a draft investment plan, they failed to have a final meeting which means that their annual investment plan was never approved. It has been recommended that the Cailaco SDA should not receive the LDF allocation for 2008. The final decision is still with the Minister, however, it is important that the regulation is followed and that an example is set to establish credibility of the MC and that the Ministry takes action if and when irregularities are discovered.

## **1.3 Citizen Engagement component:**

The tender process selected for outsourcing this component was a two-stage process. A technical review committee was established and the technical bids were reviewed. However, when the financial bids were opened the bids were much higher than earlier assessed and a second bidding round for technically qualified bids was opened. Therefore the procurement process has taken much longer than originally assumed and the award is yet to be finalized.

## **1.4 Recruitment of new staff:**

LGSP is now fully staffed and we have finally completed the recruitment of the following positions:

- National Programme Manager: Ms. Henriqueta Maria da Silva
- National Communication officer: Mr. Abilio Soares
- National Finance officer: Ms. Domingas Ferreira

In addition, the new UNCDF JPO has been identified and Ms. Kazuyo Kaneko will commence work on the 1 October. The position has been funded by the Government of Japan.

## **1.5 Planned activities for the next quarter:**

- **Continued support to LAs:** The PMU will continue to provide technical assistance and support to the PICs through refresher training session in PEM cycle during the months of October/November. It is also expected that technical training in design and costing will occur during this period.
- **Planning of possible extension of LDP:** An expansion of the LDP is now being discussed in the Ministry and with the PM. However, it is still uncertain how many Districts will be included for the forthcoming FY. LGSP will aim at finalizing the proposal from the Ministry during the next quarter to ensure that the necessary financial allocations are included in the next budget.
- **Outsourcing of Citizen Engagement component:** Finalize the award the contract for this component.

- **Planning for a technical study tour to Indonesia:** Discussions have started in terms of the planned study tour to Indonesia. It seems that it will not be possible to organize the exchange before Christmas and that it will be early next year. However, final arrangements will be made during the last quarter of 2007.

## **Output 2: Policy and legislation**

### **2.1 New Minister and Secretary of State for Public Administration reform**

With the new Government many changes occurred to the institutional framework for many Ministries, however, the changes to Ministry of State Administration and Territorial Ordinance (new name) have been minimal. The new Minister, Mr. Arcangelo Leite was the former director of DNAT and the new Secretary of State, Mr. Florindo Perreira was the former director of INAP in MSA. In particular the new Minister has been involved in the technical work since the beginning of the LGOS and LDP which of course is an enormous advantage for the programme.

Reviewing the new Government five-year programme, decentralization is high on the agenda and it is envisaged that the new Government will move the process forward over the next months and years.

### **2.2 National Consultation**

The first round of national consultations on the re-organisation of the Administrative structures was completed in September. A total of 78 meetings were held in all the 13 Districts and the 65 Sub-Districts of Timor-Leste. The turnout for these meetings were relatively high and about 6,000, village chiefs, village council members, regular citizens and local administration/sector staff participated during this consultation.

The consultation process was executed successfully during the period of January to September – although completed a bit later than originally planned because of the elections - and staff from the Ministry of State Administration and Territorial Ordinance responsible for this consultation should be mentioned since their dedication to this task was extraordinary.

Final reports from the last consultations are yet to be received by LGSP from the consultation teams and the final report has therefore not been completed. However, there are some initial conclusions that can be made:

- Overall, people want to see decentralization to be implemented as soon as possible;
- A majority of the people consulted did agree with the possible option of creating new municipalities using the Sub-Districts (SD) as building blocks, although in some places they did suggest other solutions than the original recommendation from the IMTWG;
- A tendency of keeping the Districts boards when combining SDs, very few SD wanted to be merged with SDs from other Districts;
- There will be problematic to establish new combined municipalities in Viqueque, Lautem and a few other SDs as a result of ethnic and/or a view that the SD should remain a single unit;

- Very few problems identified linked to land and property issues of the proposed new municipal boundaries;
- Lack of consensus of the location of new administrative centers, which has a potential to creating discontent among certain areas when actual implementation will occur;
- Lack of consensus of new names for the municipalities.

In general, the discussions focused more on ethnic and historical reasons and justifications for new divisions than on service delivery potential and efficiency. It is clear that these issues are very sensitive and one will need to be very careful in moving this process forward to avoid creating new or latent conflicts.

### **2.3 Expected change in previous approved policy:**

The policy for decentralization and local government was originally approved by the former Government in October 2006. There are now indications from the new Government that they would like to change the policy framework. In discussions with the new Minister it has been mentioned that the new strategy will focus on transforming the present districts into a new LG level. It has been made clear that the new Government will make its decision based on the work that has been done to date and that although there might be changes to the policy framework, the technical work prepared by the former Government is still recognized.

LGSP is now in the process of supporting the Ministry in reviewing possible options which are in accordance with the view of the new Government. A new proposed policy draft is expected to be approved before the end of the year and the Decentralization Strategic Framework is planned to be revised shortly after a policy has been approved by the CoM.

### **2.4 Postponed TA mission for Legislative Proposals:**

A technical mission was planned for the month of November when a fiscal decentralization specialist, functional assignments and territorial division specialist, in addition to STAs Roger Shotton and Mike Winter were to come over a period of one month to assist the Ministry in drafting the legislative proposal. However, with the change in Government and no new policy approved the mission unfortunately had to be postponed to next year. This of course will be a setback for LGSPs activities and budget execution for 2007; however, these are external factors that were hard to predict when plans for 2007 were prepared.

## 2.5 Planned activities for the next quarter:

- **Presentation in CoM:** LGSP is presently supporting the Ministry in its preparations for a presentation of LGSP and progress on activities related to decentralization to CoM and a revised policy paper. It is expected that the brief with CoM will be held during the month of October, while a new policy draft will be submitted before the end of the year.
- **Completion of the report on the national consultation:** It is expected that all reports from the three consultations teams will be submitted during the last quarter and that a final draft will be ready before the end of this year.

## Output 3: Implementation

### 3.1 External Communication Unit

The international advisor (Ms. Sally Torbert) funded by the WB Leadership and Communication Programme began August 2007 and the Communications Officer (Mr. Abilio Soares) was recruited in September. The External Communications office has been established within the Ministry, and the objectives for information distribution included within the annual action plan and the draft organic law of the Ministry.

In preparation for establishing a pilot information distribution system in the district of Bobonaro, the Communications Unit conducted a preliminary survey on information needs and existing distribution systems within Bobonaro from August 21-23, 2007. The Communications Unit has also begun a national government capacity assessment through meetings with 13 government bodies during the month of September, the results of which, along with the results from the pilot distribution system in Bobonaro, will be used to draft a national-level plan to develop the External Communications Unit into a national information distribution centre. The results from the Strategic Communications training exercise held with LGSP staff on September 18, 19 and 21 are currently being drafted into the LGSP Communications Strategy.

The unit has experienced a slight delay in the approval of an overall mandate from the National Government regarding the distribution of information.

### 3.2 Planned activities for the next quarter:

- **Visit of UNCDF Head of Communications, October 1-6:** Project site visits for promotion of decentralization pilot program through photos and film, as well as assistance in designing communication strategies.
- **Completion of LGSP Communication Strategy:** The completed strategy will include communication objectives and public relations strategies over both the short and long-term implementation of the decentralization process.
- **Government Information Needs Assessment:** Written in coordination with the Government Information Office.

- **Evaluation Report of Distribution System:** According to the plan, after the pilot distribution system is set up in Bobonaro, the Communications Unit will modify and evaluate the distribution system in coordination with the Ministry and prepare a final evaluation report.

### **III. Concluding remarks**

The overall assessment is for this quarter is that a majority of planned activities have been stalled as a result of the change in Government, change of FY, and uncertainty of the new policy on decentralization. It is therefore anticipated that many activities originally scheduled for 2007 now will have to be moved to 2008.

On the positive side, the clear commitment to decentralization by the new Government, the Minister of MSATO and the Secretary of State for Public Administration reform bring a new momentum to the process and will very likely move the process forward in a very positive way.

#### IV. COMMENTS TO AWP 2007: PROGRESS COMPARED TO ANNUAL WORKPLAN

This summary is a narrative description to the 3 monthly AWP report for July to September 2007.

OUTPUT/ACTIVITIES	STATUS	PROGRESS REMARKS
<b>Output 1: PILOT (ex LDP)</b>		
Procedures, processes and systems for effective local-level infrastructure and service delivery (ISD) and public expenditure and public financial management (PEM/PFM) are piloted in selected Districts, Sub-Districts and Municipalities.		
<b>1.1 Pilot and support for local level ISD by Local Assemblies in selected Districts</b>		
<b>1.1.1</b> Continue support local assemblies in pilot sub-national units (PIC, Finance Teams, DAT, Tender Boards)	Ongoing	Although some support has been provided during this period, there has been a very low level of activities since the change of the FY has resulted in postponed activities to the new FY which will start in January 2008.
<b>1.1.2</b> Provide IT equipment to LA secretariat	Completed	In total 8 computers and printers have been procured and handed over to the LAs on temporary loan.
<b>1.1.3</b> Provide furniture/equipment to LA secretariat	Completed	In total 4 motorbikes have been procured to assist the PIC and technical staff in the 4 pilot districts.
<b>1.1.4</b> Provide meeting allowances for DA and SDA members and operational budgets to LAs	Ongoing	Recurrent budgets are made available to the LAs, however, it is only anticipated that one meeting will be held this year bcs of the change in the FY.
<b>1.1.5</b> Study tour to national parliament and/or exchange between LA from different pilot districts	Ongoing	A national workshop with participants from all Districts has been planned for November. The objective is to exchange experiences between the Districts and to inform about the results of the LDP process.
<b>1.1.6</b> Announce LDF allocations for D and SD for FY 2007-8 (budget ceilings)	Re-scheduled	Because of the change of the FY this will only occur in January 2008
<b>1.1.7</b> Evaluation of D and SD performance against the defined Minimum Conditions, and announcement of the D and SD MC results.	Completed	Review of MC for all 25 LAs was completed in July 2007.
<b>1.1.8</b> Allocate D and SD funds in accordance with defined LDF financial mechanisms	Re-scheduled	Because of the change of the FY this will only occur in January 2008
<b>1.2 Establish robust and transparent PFM systems (including auditing procedures) at the local level;</b>		
<b>1.2.1</b> Establish internal LDP audit procedures and modalities	Re-scheduled	With the change in Government it was uncertain if this activity should go ahead or not. LGSP is still awaiting confirmation.

<b>1.2.2</b> Provide training to national and local stakeholders in new audit procedures	Re-scheduled	Same as above
<b>1.2.3</b> Develop procedures for the management of “grants” by Treasury	Re-scheduled	Because of the stalled policy process this activity had to be re-scheduled.
<b>1.3</b> Introduce specific capacity building activities targeted at female members of Local/Municipal Assemblies		
<b>1.3.1</b> Establish a CB programme aimed at improving gender awareness in LA	Re-scheduled	This component has been re-scheduled as a result of the changes in the Government, LGSP is awaiting response from the new Secretary of State for Promotion of Equality in terms of how to move this initiative forward.
<b>1.3.2</b> Implement CB programme	Re-scheduled	Same as above
<b>1.4</b> Introduce measures to improve the levels/quality of participation in Local/Municipal Assemblies and Suco Councils (Standing Committees, training, etc.);		
<b>1.4.1</b> Refresher training for local stakeholders in planning, budgeting, finance, procurement and O&M modules	On-going	87 LA members participated in the re-fresher training in Bobonaro Districts. LAs in Lautem will be trained during quarter 4.
<b>1.4.2</b> Training seminar for PIC members in Infra. Design and costing	Re-scheduled	Problems with identifying a service provided has resulted in re-scheduling of this activity
<b>1.4.3</b> Establish and support Gender Standing Committees in selected LAs	Re-scheduled	As a result of change in FY, the LA will not meet as normal during the transitional period (July-Dec 2007) and this activity has been re-scheduled to 2008
<b>1.5</b> Suco Council representation, CB and enhancing citizen engagement in LG		
<b>1.5.1</b> Prepare Programme Note for new component	Completed	A programme note for this the CB component has been completed.
<b>1.5.2</b> Outsourcing the programme component in competitive tender process & implementation	Ongoing	RFQ was prepared and tender advertised. Deadline for submission is 2 July. Review of technical and financial bids were done in August, however, all bids received were too high and revised proposals have been requested from the bidders.
<b>1.6</b> Implement and refine PM and MC assessment processes		
<b>1.6.1</b> To be determined (2008)		
<b>1.7</b> Develop appropriate mechanisms for demand-driven capacity building of Local/Municipal Assemblies		
<b>1.7.1</b> To be determined (2008)		
<b>1.8</b> Formulate and implement communications strategy	Ongoing	Component began in August, with National Communications Officer recruited in September. The LGSP Communications Strategy is being drafted for implementation in quarter 4.

<b>Output 2: POLICY AND LEGISLATION</b>		
Support is provided to GoTL for the establishment of an appropriate and comprehensive institutional, legal, and regulatory framework for local government		
2.1 Assist in the drafting of a Decentralisation Road Map Part 2 (DRM)	Re-scheduled	Re-scheduled for 2008 since new policy is not yet agreed.
2.2 Support consultation processes at local and national levels (consultations on territorial units, etc.)	Completed	A total of 6,032 people participated in the 78 meetings held at District and Sub-District level. The report is presently being compiled.
2.3 Support to MTWG at national level (consultation on LG functions, finances etc.)	Ongoing	The work of the MTWG is presently uncertain since a new mandate has to be provided from the new Government
2.4 Factor in the lessons learned from the LDP and Output 1 of LGSP into the policy process		Scheduled for quarter 4
2.5 Support any reviews of existing legal frameworks and assessments of the need to adapt them in the light of decentralisation	Re-scheduled	Re-scheduled to 2008
2.6 Provide technical support for preparing the content of draft legislation or detailed policy documents	Re-scheduled	Re-scheduled to 2008
2.7 Provide legal assistance for preparation of the Law on Local Government, Adm & Ter Division and other legal instruments on the basis of detailed policy documents	Re-scheduled	Re-scheduled to 2008
2.8 Assist MSA in adapting to its new role and in restructuring/ implementation of reform	Re-scheduled	Re-scheduled to 2008
2.9 Provide technical assistance for defining appropriate fiscal frameworks, financing arrangements, and local public financial management systems (or costing of the reform)	Re-scheduled	Re-scheduled to 2008
<b>Output 3: IMPLEMENTATION OF GOVERNMENT REFORM</b>		
Support is provided to GoTL for the implementation of local government reforms		
3.1 IEC activities (information/ communication)	Ongoing	This will be a part of the strategy and output from the communication component above
3.2 Provide preparatory assistance for decentralisation aimed at developing local capacities	Re-scheduled	Not possible to implement until there is a law in place – moved to next FY