

**Local Governance Support Programme
NARRATIVE ANNUAL REPORT
REPORTING PERIOD: 1 JANUARY – 31 DECEMBER 2015**

Programme Title & Project Number	Country, Locality(s), Priority Area(s) / Strategic Results¹
<ul style="list-style-type: none"> Programme Title: Local Governance Support Programme (LGSP/SNGDP) Programme Number: 53898 (UNDP); 54392 & 84045 (UNCDF) MPTF Office Project Reference Number:² 55656 	<p>Timor-Leste</p> <p>Local Governance and Decentralization Poverty Reduction</p>
Participating Organization(s)	Implementing Partners
UNCDF and UNDP	Ministry of State Administration
Programme/Project Cost (US\$)	Programme Duration
<p>Donor Contribution through (MPTF/JP), 2007-2011:</p> <ul style="list-style-type: none"> Irish Aid US\$ 2,422,123 Government of Norway US\$ 1,547,718 <p>Donor Contribution through Cost-Sharing</p> <ul style="list-style-type: none"> Irish Aid: US\$ 2,220,119 Government of Norway: US\$ 119,328 Government of Timor-Leste: US\$ 1,250,000 <p>Agency Contribution 2007 – 2014:</p> <ul style="list-style-type: none"> UNDP US\$ 942,159 UNCDF US\$ 865,255 <p>Government Contribution 2007-2012 (Parallel Funding) US\$19,538,515</p>	<p>Overall Duration: 7,5 years</p> <p>Start Date³: 01/01/2007</p> <p>Original End Date⁴: 01/01/2013</p> <p>Current End date⁵: 31/12/2015</p>
TOTAL as of December 2015: US\$28,405,217	Report Submitted By
<p>Programme Assessment/Review/Mid-Term Eval.</p> <p>Assessment/Review - if applicable <i>please attach</i></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Date: <i>June 2011</i></p> <p>Mid-Term Evaluation Report – <i>if applicable please attach</i></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Date: <i>dd.mm.yyyy</i></p>	<p>Name: Into Goudsmit</p> <p>Title: Chief Technical Advisor a.i.</p> <p>Participating Organization (Lead): UNCDF</p> <p>Email address: intogoudsmit@yahoo.com</p>

¹ Strategic Results, as formulated in the Strategic UN Planning Framework (e.g. UNDAF) or project document;

² The MPTF Office Project Reference Number is the same number as the one on the Notification message. It is also referred to as “Project ID” on the project’s factsheet page the [MPTF Office GATEWAY](#)

³ The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)

⁴ As per approval of the original project document by the relevant decision-making body/Steering Committee.

⁵ If there has been an extension, then the revised, approved end date should be reflected here. If there has been no extension approved, then the current end date is the same as the original end date. The end date is the same as the operational closure date which is when all activities for which a Participating Organization is responsible under an approved MPTF / JP have been completed. As per the MOU, agencies are to notify the MPTF Office when a programme completes its operational activities.

List of Acronyms

APD	Administrative Pre-Deconcentration
BoQ	Bill of Quantity
CD	Capacity Development
CSA	Cost Sharing Agreement
DSF	Decentralization Strategic Framework
DTC	District Tender Committee
DSF	District Strategic Framework
GoTL	Government of Timor-Leste
ISD	Infrastructure and Service Delivery
LDP	Local Development Program
LG	Local Governance
LGSP	Local Governance Support Program
LoA	Letter of Agreement
MC	Minimum Conditions
M&E	Monitoring & Evaluation
MIS	Management Information Systems
MoF	Ministry of Finance
MSA	Ministry of State Administration
NGO	Non-Governmental Organization
NSDP	National Strategic Development Plan
PDID/M	Integrated District/ Municipal Development Planning
PEM	Public Expenditure Management
PFM	Public Financial Management
PM	Performance Measures
SAA	Standard Administrative Arrangement
SNGDP	Sub-National Governance and Development Programme
SSAD	Secretary of State for Administrative Decentralization
SSIS	Secretary of State for Institutional Strengthening
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program

PART I: NARRATIVE REPORT

Executive Summary

This Consolidated Annual Report under the Joint Programme Local Governance Support Programme (LGSP/SNGDP) covers the period from 1 January to 31 December 2015. This report is in fulfilment of the reporting requirements set out in the Standard Administrative Arrangement (SAA) concluded with the Contributors. In line with the Memorandum of Understanding (MOU) signed by Participating Organizations, the report is consolidated based on information, data and financial statements submitted by Participating Organizations. It is neither an evaluation of the Joint Programme nor an assessment of the performance of the Participating Organizations. The report provide the Project Board with a comprehensive overview of achievements and challenges associated with the Joint Programme, enabling it to make strategic decisions and take corrective measures, where applicable.

During 2015, the LGSP/SNGDP continued provides advisory and technical support to the Ministry of State Administration (MSA) in the implementation of 2015 capital investment projects and planning process for 2016 projects. The continued support was aimed at strengthening local capacities to plan, budget and implement basic infrastructure projects, particularly in the improvement of bottom-up planning procedures and the implementation of competitive tendering system. A series of training programmes and workshop were organized on the pre-qualification, procurement procedures and engineering training. LGSP/SNGDP also introduces and designed maintenance grant system and procedures that will be embedded into the regular PDID/M planning cycle.

There is no significant progress on the decentralisation policy development. The Administrative deconcentration policy has not been fully implemented by MSA as planned. Thus, LGSP continued deliver training for the current district administration and line-ministries staff. The training programme was expanded to cover eight more municipalities in 2015.

The LGSP is scheduled to end in December 2015. Additional resources being mobilized to support its successor programme, SNGDP planned activities for 2016 to 2018. At the time of writing this report, LGSP project has been extended for another 6 months (January to June 2016) with the aim to facilitate the project closure (financial and operational) and the full implementation of SNGDP.

The Multi-Partner Trust Fund Office (MPTF Office) of the United Nations Development Programme (UNDP) serves as the Administrative Agent (AA) for the pass-through funded portion of the Joint Programme (i.e. LGSP). The MPTF Office receives, administers and manages contributions from Contributors, and disburses these funds to the Participating Organizations in accordance with the decisions of the Project Board as per the requests submitted to the MPTF Office. The Administrative Agent receives and consolidates annual reports and submits to the Project Board through the UN Resident Coordinator. This report is presented in two parts. Part I is the Annual Narrative Report and Part II is the Annual Financial Report for the pass-through funded portion of the Joint Programme.

I. Programme Purpose

The overall programme outcome is to contribute towards poverty reduction in Timor-Leste through improved local capacity to deliver an efficient, accountable and gender-responsive basic service by local administrations to poor communities in rural areas.

The LGSP/SNGDP has the primary objective of supporting the establishment of a fully-fledged local government system in Timor-Leste by: i) supporting 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; ii) supporting 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 practices and on policy relevant lessons generated from the Timor-Leste context and experience.

Through achieving its primary objective, the LGSP/SNGDP will thus contribute towards improving local-level infrastructure and service delivery, and reducing poverty.

II. Key Results for 2015

i) Programme Outcome

Increased capacity for efficient, accountable and gender-responsive delivery of services by local administrations.
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During this reporting period, LGSP/SNGDP continued supporting bottom-up and participatory planning processes in all 12 Municipalities for PDID/M 2016 projects. Technical advice were provided to MSA on regular basis to ensure that the Municipal Investment Plan (MIP) reflects local needs for basic infrastructures.

The 2015 also marked as an important year where projects at the local level are implemented for the first time through a competitive tendering system. This is an important step to develop a transparent and accountable Public Expenditure Management framework for the future local governments. About 84 projects (value of US\$ 11.6 million) were tendered following the PDID/M procurement rules and procedures.

ii) Programme Output

Local Development

LGSP Output 1: Improved capacity for local Infrastructure and Service Delivery (ISD) by sub-national bodies with increased citizen participation

SNGDP Outcome 2 Output 4: MSA national and sub-national capacities to implement PDID/M are strengthened

2015 Annual Target Indicator:

- PDID/M 2015 projects are tendered and completed, and Municipal Investment Plan 2016 are approved following LGSP designed bottom-up planning procedures
- Training on project design and costing conducted for the municipal technical staff capacity are improved through better project design and costing.

2015 Key Achievement:

- Public tender for 84 basic infrastructure projects (\$11.6 million USD) following PDID/M Procurement rules and procedures;

During 2015, LGSP/SNGDP continued provide advisory and technical support to MSA in the implementation of PDID/M projects carried-over from 2013 as well as public tendering process for 2015 projects. About 84 projects (\$11.6 million) were tendered and implemented during 2015.

However, the planning process for 2016 projects experienced delays due to changes in the government in early February 2015 that shifted PDID/M responsibility from MSA to the newly created Ministry of Planning and Strategic Investment (MPSI). The planning processes for 2016 projects were eventually canceled, and as an interim arrangement, MSA was requested to continue with the implementation of the previous and current year projects. Nonetheless, there is about \$10 million of new projects that were decided by the central government to be included in the PDID/M 2016.

To improve project design and costing (i.e. Bill of Quantities or BoQ), LGSP/SNGDP continued deliver engineering training to MSA and district-based technical staff. The training programme was delivered to coincide with the PDID/M planning cycle following “on-the-job” training approach. A series of engineering training on building design and maintenance were delivered to the technical staff at the national and municipal level. A training session on road construction was also delivered jointly with Road for Development (Enhancing Rural Access) project of ILO.

Policy and Legislation

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

SNGDP Outcome 2 Output 3: Institutional framework, policies and procedures for sub-national investments are updated and improved

2015 Annual Target Indicator:

- PDID/M 2015 projects tendered following PDID/M Procurement Decree Law
- Bottom-up PDID planning for 2016 conducted following the PDID/M planning procedures

2015 Key Achievement:

- Establishment of pre-qualification process and competitive tender system and procedures.

LGSP/SNGDP has continued to provide advisory support with a focus to establish a transparent, accountable and competitive tender system. Training and advice were provided to the District Procurement Committee members during the pre-qualification process, public tendering process and announcement, and contestation period.

LGSP/SNGDP was also provide policy inputs on functional assignment and municipal organizational strengthening to the current government deconcentration policy.

SNGDP Outcome 1: Decentralisation policies are formulated and implemented

Output 1: Effective decentralization policy and planning, implementation, coordination, monitoring and evaluation at central and sub-national levels

The National Diagnostic Assessment was expanded to cover seven more state institutions in 2015, namely Ministry of Justice, PNTL, MSA, MCIE, MAF, MSS and SEPFOPE. The self-assessment and stakeholder assessment for these institutions were completed. The assessment report is being prepared at the time of writing this report. The main objective of the national diagnostic is to assess the institutional and organizational productivity capacity of the national institutions to deliver service and to assess whether these institutions are “fit for purpose”.

A Policy on Institutional Strengthening was also designed and it seeks to improve the performance of the public service. It seeks to do so by making government ministries more effective as organizations. The Policy on Institutional Strengthening introduces new Performance Improvement Plans.

Output 2: Capacities of key actors responsible for operationalizing deconcentration plan identified and systematically developed to enable effective implementation of deconcentration

On the overall support to the decentralisation policy development, LGSP/SNGDP continued supporting government in the design of Administrative deconcentration capacity building strategy and content for future deconcentration structure. Apart from supporting the Secretary of State for Institutional Strengthening (or SEFI) implementing “Foundation Course” for the existing district administration and line-ministries staff at the municipal level, LGSP/SNGDP was also provide policy inputs on the functional assignment to be de-concentrated to the local level as well as strategy to strengthen municipal organizational capacity as per new administrative setting defined in the PDA Decree Law.

The “Foundation Course” was delivered to eight more municipalities during 2015. The second stage of the training programme “Advance Course in Local Governance” training materials being designed and at the time of writing this report all preparatory work for piloting the advance course had also been done. It is expected that the course will be implemented by the end of the first quarter of 2016.

A zero draft note on Policy Input for Standardising Capacity Building Training Program was designed with the aim to standardise capacity building program provided by diverse service providers for public servants.

iii) Challenges & Lessons Learned

Challenges:

- Annual budget allocated for PDID/M projects over the years (\$69.7 million in 2013, \$29.3 million in 2015, and \$10.4 million for 2016) reflects inconsistency in the allocation for municipalities, which shows that the allocation is very much depends on the government’s social and political priorities (which most of the time are situational and ad hoc in nature). Out of 12 municipalities, only 6 that will have PDID/M projects in 2016. Formulae for budget allocation as defined in the PDID/M Decree Law has not been followed consistently. Thus, budget predictability and the final inclusion of project proposals in the State Budget remains as an issue that need to be advocate for and considered by the government.
- In the last four and a half year, government has not fully implement its decentralization policy. The Administrative Pre-deconcentration (or PDA) structures has not been established as per defined in the decree law, its subsidiary legislation, regulatory and strategic framework. By the time of writing this report, a new decree-law has been endorsed by the Council of Ministers and its before President for promulgation to revoke the decree-law on PDA.

Lessons learned:

- On the job training approach that was practiced and implemented following PDID/M project cycle shows that the District/Municipal Development Committee and its technical staff are starting to submit better project design projects and costing (BoQ) and project prioritization process follows clearer criteria, based on an analysis of the real benefits of each proposal and on the quality of its technical design.
- The introduction of pre-qualification of local companies and competitive tendering system should further improve transparency and accountability in the procurement of public infrastructure projects as well as increase local company’s capacity to compete.

III. Qualitative assessment:

Implementation of PDID/M Procurement Decree Law marked an important steps towards developing of a transparent and accountable public expenditure management framework for sub-national level. This is for the first time, a pre-qualification process was introduced and implemented at the sub-national level to assess local contractors’ eligibility to compete in the tendering process. Thus, the process not only improve transparency and accountability in the tendering process but also improve

project quality as well as contributes towards government ongoing efforts to improve private sector capacity (financial and technical) at the municipalities.

Learning by doing (on the job) type of training is one of the practical approach to enhance individual skills. The engineering training programme was designed to follow PDID/M planning cycle to enable the trainees to have a real time experience in learning as well as practical experience in design real project and estimate the cost.

Indicator Based Performance Assessment

	Achievements	Reasons for Variance with Planned Target (if any)	Source of Verification
<p>Programme Outcome: increased capacity for efficient, accountable and gender-responsive delivery of services by local administrations</p>	<ul style="list-style-type: none"> • PDID/M framework provides scope for increased local capacity. through bottom-up planning processes were completed • Gender issues mainstreamed in the DSDP pilot and PDID/M planning manual • PDID/M procurement decree law provides space for improved transparency and accountability in the public expenditure management 	<p>Inadequate regulatory framework for the implementation of PDID/M projects. Subsidiaries legislations such as financial procedures have not been approved and implemented</p>	<p>PDID/M decree law DSDP document</p>
<p>Output 1: Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizen participation</p>			
<p>Indicators:</p> <ul style="list-style-type: none"> • Percentage of Districts/Municipalities which meet MC/MP measured through annual evaluations • Percentage of Districts/Municipalities develop and approves local development plans and budget each years 	<p>n/a</p> <p>All 12 Municipalities (100%) plans and their respective district investment plan for 2016 approved</p> <p>M&E framework was designed but not yet operated</p>	<p>No evaluation of MC/MP</p>	<p>District/Municipal capital investment plan proposals</p>

<ul style="list-style-type: none"> • MIS system in use and provides direct input to management strategies and decisions • Percentage of suco plans updated and included in overall district planning framework • Percentage of suco councils able to provide effective oversight of local development initiatives <p>Baseline:</p> <ul style="list-style-type: none"> • MC performance system operational in 10 Districts/Municipalities but no PM system in place • No integrated planning processing linking various levels • No MIS in place • Suco plans prepared but not integrated in overall district planning 	<p>All 442 Suco (100%) plans were updated</p> <p>All 442 Suco councils (100%) signed-off completion of projects</p>	<p>PDID/M data being collected from the Districts/Municipalities but have not been entered into the system</p>	<p>Consultant mission report Project's quarterly and annual report</p> <p>Suco development plan and project proposals</p> <p>Certification of work completion signed by the chief of village</p>
<p>Output 2: Improved institutional, legal and regulatory framework established in support of effective local governance</p> <p>Indicators:</p> <ul style="list-style-type: none"> • Revised DSF II approved 	<p>n/a</p>	<p>Continue with DSF I. Development of legal framework for LG (i.e. DSF II) is based on the assumption on the completion of DSF I: basic law on LG passed by the National Parliament.</p>	<p>n/a</p>

<ul style="list-style-type: none"> Revised PEM/PFM procedural framework approved Availability of functional PBGS (PBGS is established and operational by end of 2012) Revised capacity development strategy approved Percentage of district capacity assessment completed (3-4 assessment completed by 2013) Gender issues considered in all new policies and strategies <p>Baseline:</p> <ul style="list-style-type: none"> Outdated road map for local governance reform 	<p>PDID/M and its subsidiary legislations for planning and implementation in place</p> <p>PDID/M Procurement Decree Law implemented. About 84 projects (\$11.6 million) were tendered.</p> <p>The system was designed and foreseen in the PDID/M decree law but not yet formally adopted by the government:</p> <p>The CD strategy was drafted but not implemented as the government still continues with the DSF I.</p> <p>Gender issues (indicators) mainstreamed in the government local development programmes</p>	<p>However, the approved law has not been fully implemented by the government</p> <p>Formula allocation in place (ministerial decree respected internally by the district but not by the central line-ministries)</p> <p>About 72 projects being evaluated by the National Development Agency</p>	<p>Approved decree law and its subsidiary legislations ministerial decree on formula allocation</p> <p>Project annual work plan 2013 endorsed by the PSC on 17 Dec 2012</p> <p>Project annual work plan 2013 endorsed by the PSC on 17 Dec 2012</p> <p>PDID/M planning manual and DSDP documents</p>
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<ul style="list-style-type: none">• 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 gender mainstreaming strategy in place			
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III. Other Assessments or Evaluations (if applicable)

The Institutional Strengthening National Diagnostic Assessment will be used to measure institutional capacity and plan for Public Administration Reform including at the Municipal.

IV. Programmatic Revisions (if applicable)

The Programme Steering Committee (PSC) of the LGSP/SNGDP approved a six month (1st January to 30 June 2014) and later a nine month (1 July 2014 to 31 March 2015) of no-cost-extension of the LGSP/SNGDP II 2012-2013.

The no-cost extension has been beefed up by an additional “bridging fund” contributed by the Norwegian Government (US\$ 417,300) allowing the joint programme to carry out a serious set of activities aimed at the completion of the outputs until 31 March 2015. In parallel, SNGDP (Sub-National Governance and Development Programme) has started in July 2014 funded by a GoTL-UNDP Cost Sharing Agreement enhancing the capacity development of PDA structures. It is foreseen the last stage of LGSP prepares the ground for a fully operative and funded SNGDP. UNCDF and UNDP have been in the process of additional SNGDP resource mobilization – without final results.

The LGSP/SNGDP PSC meeting on 18 December 2014 endorsed the 2015 work plan.