



ANNUAL REPORT

Local Governance Support Programme (LGSP) / Timor-Leste

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Submitted by:

Mikiko Tanaka - UNDP Country Director

Contact: mikiko.tanaka@undp.org

Country and Thematic Area:

Timor Leste

Local Development/Decentralization

Poverty Reduction

Joint Programme No.

Joint Programme Title:

Local Governance Support Programme
(LGSP)

MDTF Office ATLAS No: 67655
(Project ID)

Participating UN Organizations:

UNCDF, UNDP

Implementing Partners:

(UNCDF, UNDP)

JP Budget (in US\$):

US\$ 7,750,000

Pass-through funding

Irish Aid: € 1,510,000

Parallel funding

Government of TL: \$3,911,000

Irish Aid: € 300,000

Government of Norway: \$ 119,328

Programme/Project Timeline/Duration

Overall Duration

2007 – 2011

Original Duration

2007 - 2011

Programme/ Project Extensions: N/A

Joint Programme Budget by

Participating UN Organization

(for pass-through funding only):

UNCDF: US\$ 665,255

UNDP: US\$ 742,159

I. Purpose

There is a firm commitment towards decentralization and local governance in Timor-Leste, which is reflected in the Constitution of Timor-Leste¹ as well as the previous and current governments' policies and decisions to advance decentralization in Timor-Leste. While the state remains highly centralized to date, the GoTL under the leadership of Ministry of State Administration and Territorial Management (MSATM) proceeded with the development of a policy framework for decentralization since 2003. This development reached a peak in 2009, when a set of three Local Government Laws was submitted to the suggest spelling out once, National Parliament (NP) NP. While the first of this set of laws, the *Law on Administrative and Territorial Division*, was approved by the NP and promulgated by the President in mid-2009, the *Local Government Law* and *Municipal Elections Law* are pending approval by parliament. LGSP's rationale needs to be seen within the overall context of the ongoing policy-making process for decentralization reforms in Timor-Leste.

LGSP is the successor programme to two separate, but interrelated projects; the Local Development Programme (LDP) 2004-6 and the Local Government Options Study (LGOS) 2003-6. The LGSP is a joint programme funded by GoTL, Irish Aid, the Government of Norway, UNDP and UNCDF. It is being implemented over a 5-year period, starting in January 2007.

The overarching goal of LGSP is to contribute towards poverty reduction in Timor-Leste. The programme's 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, is expected to 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 builds on the former LDP: it provides 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 initially took place under the same arrangements as applied to the LDP – with Local Assemblies operating on the basis of Ministerial Decree MAEOT No. 8/2005. Pilot activities have been implemented in initially four, later eight Districts². As of 2010, the programme will be up scaled to all 13 districts in the country, making it no longer a pilot but a nation-wide local development programme. Nevertheless, the testing of new processes and procedures through the LDP will continue. Once that District are “municipalised” in the context of decentralization, LGSP will operate intensively in the ex Districts (and new Municipalities) to further pilot and fine-tune local government systems and procedures, while strengthening local capacities for public service provision.

¹ Constitution of Timor-Leste Article 5 and 71

² As of January 2008, eight districts have been selected: Bobonaro, Lautem, Manatuto, Aileu, Ainaro, Manufahi, Baucau and Covalima.

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

The delivery of this output³, which continues the work started by the LGOS, supports the development of a policy framework for the establishment of a fully-fledged local government system in Timor-Leste. This component supports the drafting, discussions and consultations on a series of policies and legal instruments, which will be submitted to the National Assembly (in the case of laws) or Council of Ministers (decree laws), for review and approval. This includes the basic Local Government laws as well as a series of decree laws and regulations, which are intended to complement and specify the basic laws.

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

The third LGSP output⁴ concerns the actual set up of Municipalities and the institutional/legal framework that is being established with programme support (as specified under output 2). How LGSP will provide the government with support for implementation of local government reforms will depend largely on final decisions about the phasing of this process. Since the Local Government laws are still pending approval by NP, LGSP has so far focused on communications and civic educations activities for this component.

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

The Joint Programme is linked to the UN Development Assistance Framework 2009-2013 as below:

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

Output 1.1.3: The government has a clear legal framework for decentralisation

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

The project aims to support the National Priorities of Timor-Leste, especially the “development of institutional capacity, transparency and accountability; stabilisation of the justice and security sectors; and promotion of social cohesion”.

This Joint Programme is implemented by UNDP and UNCDF.

II. Resources

Financial Resources:

The Programme is funded by Irish Aid (pass-through funding), the Government of Norway, UNDP and UNCDF (parallel funding). The Government of Timor-Leste also provides funds to the Local Development Programme, one of the LGSP components.⁵

³ 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.

⁴ 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.

⁵ The government fund is not channelled through the Joint Programme.of the Joint Programme.

Human Resources:

In terms of Human Resources, the number of Programme staff is 19 staff (as of 31 December 2009), which includes 2 international staff and 17 national staff.

III. Implementation and Monitoring Arrangements

The Programme reports on a quarterly basis on the progress against assigned outputs and activities, challenges and issues in the consolidated report. Annual reports are prepared and shared with the Ministry as well as donors, reporting on the achievements made and challenges encountered during the year.

An internal programme review was conducted in August 2008, which had the main objective to evaluate LGSP design and progress. An external mid-term evaluation is scheduled to take place in March 2010

IV. Results

As stated in the Programme Document, there are three specific outputs for the LGSP and this report is organised accordingly by focussing on activities and progress of the programme during the period between January and December 2009⁶. perhaps footnote belongs to below paragraph? This narrative report is intended to summarise the main achievements and challenges encountered during the third year of programme implementation.

To access additional information regarding the rationale for previous activities and achievements, it is recommended reference is made to the Local Development Programme (LDP) annual progress reports for 2005 and 2006, in addition to LGSP annual reports 2007 and 2008, which are considered as a reference to this 2009 annual progress report. Additional information is available under www.uncdf.org or www.estatal.gov.tl.

OUTPUT 1: LOCAL DEVELOPMENT PROGRAMME PILOT: *Establish 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-District and Municipalities*

ACTIVITY 1.1: Establishment of and support to Local Assemblies

The legal basis for establishing the Local Assemblies (LAs) is the *Ministerial Decree No. 8/2005 – MSA regarding Local Assemblies*, which has the objective to ensure a high degree of community representation and participation in planning, decision-making and oversight. Based on previous experience with similar programmes in Timor-Leste, it was also important to ensure that the institutional framework created was independent of the LDP itself, and thus replicable and self-sustainable both in terms of human resources and financial costs. Initially two levels of institutions were established; District and Sub-District Local Assemblies, with their own budgets, autonomous decision-making powers and different levels of responsibilities in terms of service delivery aimed at simulating a real-time decentralised scenario. The Local Assemblies include two types of membership; 1) permanent voting members, who are the community representatives; and 2) executive members, who are government line ministry staff. The Local Assemblies are chaired by an Executive Secretary who is either the District or Sub-District Administrator.

LDP was originally implemented in four (4) districts: Aileu, Bobonaro, Lautem and Manatuto. In late

⁶ Local Governance Support Programme project document, p. 17 (Result Resource Framework); also see LDP Annual Progress Report 2005 & 2006.

2007 the new Government decided to expand the LDP to an additional four (4) districts, bringing the coverage of the programme up to eight (8) out of thirteen (13) districts or a total of 51 percent of the population in Timor-Leste. In end 2009, the GoTL decided to upscale and expand the LDP to additional five (5) districts and upscale the LDP to all 13 districts in the country, making it a nation-wide local development programme.

In line with the revised Government policy, which foresees the establishment of the future municipalities at the level of the current districts, it was decided that only District Assemblies were to be established in the second batch of pilots, while the first (four) pilot districts would continue to operate with both District and Sub-District Assemblies. The objective of this decision was to test and generate lessons from two possible Local Government models in Timor-Leste.

To compensate for the “abolition” of the Sub-District Assembly in the new pilot areas, Sub-District Development Committees (SDDCs) were established to ensure a reliable channel for communication between the District Assemblies and the Suco Councils. All Suco Councils are represented in the SDDC with two representatives, while each SDDC is represented with three permanent members in the District Assembly. In total, 29 Local Assemblies (LAs) and 21 SDDCs have now been successfully established in the eight pilot districts.

1.1.1 Capacity Development of Local Assembly Members: Starting in 2005, an extensive supply-driven capacity-building programme was started and tested. Lessons learned were incorporated in the design of the approach and adjustments were made to the training modules. The programme consists of the following training modules:

- Module 1: Role and responsibilities of Local Assemblies
- Module 2: Planning and budgeting
- Module 3: Finance management
- Module 4: Local Procurement and contract management

In 2009, capacity development activities focused on refresher trainings on local finance and procurement procedures. Following refresher trainings for staff members, trainings were provided for District Assembly (DA) members, in particular for District Administration Treasury (DAT) and Planning and Implementation Committee (PIC) members with the objective to strengthen their technical skill and understanding on Local Planning, Finance and Procurement processes as well as strategic planning skills. In addition, AutoCAD software training also provided to district technical staffs to strengthen their technical design skills from hand drawing to use of AutoCAD software.

In total five (5) days refresher training on Local Finance and Procurement Procedures were conducted for Local Assemblies in eight (8) districts. Two days refresher training on local finance and procurement were conducted in February 2009 in Dili for District Administration Treasury (DAT), Finance Administration Team (FAT), Local Tender Board (LTB), Planning and Implementation Committee (PIC) members from Covalima, Manufahi, Ainaro and Baucau district with a total of 30 participants. Three (3) days of refresher training were also conducted in Aileu, Bobonaro, Manatuto and Lautem districts. In total 131 participants attended these trainings.

In eight pilot districts, two-day refresher trainings were held in August and September in order to improve capacities of the District Administration Treasury and Finance Teams on how to do finance report based on Local Finance procedure. These refresher training started with a training needs assessment on finance and assessment of participants’ knowledge on financial reporting, especially with regard to filling in the requirement financial reporting templates. In total 84 participants participated in the training and six (6) out of them were women.

In addition, AutoCAD trainings were held in April to enhance district technical staff capacities on project design with AutoCAD software. In addition, refresher trainings were held in August to improve capacity of six (6) technical staffs, those who were still weak in using AutoCAD for project design, resulting in improved capacities to use AutoCAD software to design projects for 2010.

1.1.2 Participation in Local Assembly meetings by gender: The LDP has now been operational for five years and 27 out of 29 Local Assemblies conducted their four times regular meetings and in average an extra ordinary meeting, based on the Ministerial Decree Law no 9/2008. And as part of the M&E strategy, the level of participation in the Local Assemblies has been closely monitored: while declining slightly over time, the overall attendance in DA and SDA meetings has been relatively stable over the whole period, with an average participation of 81 percent in Local Assembly meetings in 2009. However, participation of women in assembly meetings was lower than participation of men, especially at SDA level- just as in previous years. In order to address these shortcomings, LGSP has included the development of a gender mainstreaming strategy in its Annual Work Plan for 2010.

ACTIVITY 1.2: Establishment of and Support to Local Planning Process (LPP): Two documents were issued by the Ministry of State Administration, guiding the District and Sub-District Assemblies on how to consult, identify, appraise, prioritise and prepare costing and design; the *Ministerial Directive 3/2005 – DNAT/MSA Sub-District Planning Guidelines*, and *Ministerial Directive 4/2005 – DNAT/MSA District Planning Guidelines back in 2005*. The aim of these guidelines is to establish basic standards in the planning process at local level, while ensuring high-level of participation and informed decision-making processes, so that local needs and priorities are fully taken into account with genuine ownership. For the new additional four districts, a new planning guideline was developed to facilitate a new pilot structure of District Assembly with a Sub-District Development Committee (SDDC).

1.2.1 Local Planning Process (LPP) and the Local Development Fund (LDF): Overall, the Local Planning Process, supported by the LDP at District and Sub-District level proved effective in identifying, appraising and prioritising local-level infrastructure projects. The process has now been tested over four years and with 29 LAs in the eight pilot districts. In January 2009, the Government approved the state budget for FY 2009, and eight districts were included in the LDP. In total, the Government approved a financial allocation of US\$ 1,835,515 for the LDF, of which 1,660,000 was for capital investments and 175,515 was for recurrent cost. The per capita allocation declined from US\$ 4 to 3.50, in comparison to FY 2008, as a result of budget constraints and the need to allocate funding for four new municipal administrative buildings for 2009 in anticipation of the municipal elections and new local government scheduled toward the end of the year.

Since the planning process for FY 2009 had already been conducted in 2008, based on a per capita allocation of \$4, this planning had to be adjusted in early 2009.

1.2.2 Local Planning Process: With decreased capital allocations, the LAs, which had already approved their annual plans for 2008-9 had to revise their annual plans and budgets for FY 2009. While initially 132 proposals with total investment of US \$ 1,887, 043 had been approved for funding under LDF allocation in eight districts, the number of proposals had to be cut to 117 with a total investment budget of 1,658,674. After the procurement processes were completed, additionally 14 projects were included as a result of savings from the procurement. Hence the total capital investment projects planned and implemented during FY 2009 were 131.

The LPP was also designed to allow sector-departments to submit their investment priorities to the LAs. It is important to note that only 19 projects out of the 131 funded were proposed by sector department and the remaining 112 came from the Suco level.

Each assembly has established a Planning and Implementation Committee (PIC) as a part of the institutional framework. The PIC is given the responsibility for verification and appraisal in addition to the preparation of basic design and costing of eligible priority proposals during the planning process.

In assessing the total investments per sector allocated for FY 2009 for all eight Districts, three main sectors received approximately 75 percent of the total budget: education (39%), water supply (21%), roads (15%) . In addition the health and agriculture sector absorbed a significant proportion of the LDF allocation: health (9 %) and agriculture (10%).

1.2.3 Local Planning Process for FY 2010: The planning process for FY 2010 was conducted between March and September 2009 and resulted in 132 approved investment projects. During the planning process technical support was provided by the joint government - LGSP staffed team and throughout the regular LAs meetings.

1.2.4 Overview LDF investments 2005 – 2010: Starting in 2009 FY, the M&E team has regularly collected and updated information on investment for sectors priorities from eight districts over five years implementation of the LDP. In total, the LDP has invested more than US \$ 6 million for 524 projects in the pilot districts over the past five years. Water & sanitation and roads & transportation sector remain as key priorities among other sectors and more than US \$ 4,5 million has been invested in these three sectors: education more than 1.7 million, road & transportation more than 1.4 million and water & sanitation more than 1.3 million.

ACTIVITY 1.3: Support to Local Procurement Processes: The amended Government procurement law from 2006 allows “decentralisation” of procurement to individual *central* Ministries for packages valued up to US\$ 100,000. This law has been used to facilitate local-level procurement where the Ministry has delegated authority to the LAs for procurement of capital infrastructure. Prior to the LDP pilot there was no legal or regulatory framework in place for local-level procurement and contract management in Timor-Leste. The LDP procurement regulation for the local level is a simplified version of the national procurement law but based on all central procurement forms and contract formats in order to ensure a streamlined system.

1.3.1 Local Tender Boards (LTB), monetary thresholds and methods of procurement: *Ministerial Directive No. 8/2005 – MSA Procurement Regulation* states the establishment of the Planning and Implementation Committees (PICs) as the procuring entities for local assemblies at each level. In addition, District and Sub-District Local Tender Boards (D-TB and SD-TB) were created to ensure a transparent and accountable process for the awarding of contracts. The LTBs are composed of three technical representatives from the government and two voting members from the Assemblies. The Directive also indicates that representatives from the beneficial community can participate in LTB meetings as observers. The regulation only allows for direct local procurement and contract management for the procurement of public goods, services and works, which is valued up to US\$ 10,000 at the District level and up to US\$ 5,000 at the Sub-District level.⁷ Any procurement above these ceilings must be referred to the next level and all contracts above US\$ 10,000 have to be confirmed by a centrally-established tender board. Although this limits the independence of the local procurement process, four critical factors were incorporated in the new regulation to ensure local ownership of the process; 1) the procuring entity remains at the local-level even for procurement above US\$ 10,000; 2) local tendering; 3) local representation in the national tender boards; and 4) responsibility for local contract management and supervision remains at the local level. Thus, the local assemblies still control the process.

The main principle in procuring goods, services and works in relation to the LDF is open tendering.⁸ This is particularly important to ensure transparent and cost effective processes and results.

1.3.2 Execution of local level procurement process FY 2008: In general, local procurement processes were successfully conducted by Local Tender Boards and in total 131 projects committed to be funded with total amount of US \$ 1,642,762. Initially 117 projects approved by Local Assemblies to proceed with procurement process. However, it was found through District Integrate Workshops that two (2) were not eligible and hence excluded from the tender process. These two projects were a water supply project in Baucau district and a mini market project in Manatuto district. The water supply project was cancelled as result of miscalculation of cost by technical staff and the mini market was included in planned projects for the Ministry of Economic and Development budget. The budget from these two cancelled projects resulted in savings of US \$ 86,590, which together with an unallocated budget of US \$ 1,320 were used to fund 16 additional projects.

1.3.3 Contract Management: In accordance with the procurement regulations, all contracts related to the LDP are managed at the local level; in total 188 contracts were handled by the LAs in 2008. Based on experience from previous years, it has proven necessary to have a Project Oversight Committee (POC) to control implementation of projects by local companies for each projects. Consequently, 111 Project Oversight Committees (POCs) were established during the reporting period in order to control physical implementation of projects. These committees consisted of project beneficiaries. The committees oversaw and regularly reported to Technical Staff on the projects implementation. 20 projects (out of 131) did not established POCs as they were considered very small and a strict control by beneficiaries for quality improvement not deemed necessary.

The Annex 4 shows an overview of a status of project implementation in 2009. According to the LGSP Monitoring and Evaluation team, 127 out of 131 projects (97%) were completed by the end of December 2009, while 4 projects were still ongoing. It is clear from the analysis of the information collected in the districts, that 6 districts have done extremely well and completed all contracts by the end of FY 2009, while Baucau and Manatuto are still behind with 8 out of 11 projects completed in Baucau and 18 out of 19 projects completed in Manatuto district. In case of Baucau there are no real delays in implementation as such but the number of projects approved is much larger in size than in other districts (average cost US\$ 50,000), which seems to be the main reason for delays in completing the projects. In the case of Manatuto the projects was the continuation of the previous year project (road rehabilitation) which was required the previous work needs to be concluded before started the new projects. As in previous years, there is still room for improvements and the Ministry and the project will continue to support the districts in 2009 onward.

OUTUPUT 2: POLICY AND LEGISLATION: *Support is provided to GoTL for the establishment of an appropriate and comprehensive institutional, legal and regulatory framework for local government.*

Feeding Lessons Learned from the LDP pilot into government policy on Decentralisation and Local Governance endowed the Ministry of State Administration and Territorial Management (MSATM) with the mandate to lead and coordinate the decentralisation process. Following an extensive drafting and discussion process, the Council of Minister approved three law proposals for decentralization and submitted them for approval to the National Parliament in February 2009.

After the submission of the three law proposals to National Parliament, the MSATM with technical

⁸ In theory “open tendering” is based on RFQ documents; however to reduce corruption and the possibility of limited selection of contractors by the procuring entity the RFQ is an open process and publicly advertised.

support from LGSP, started to prepare the subsidiary legislation (decrees and regulations) as outlined in the governments roadmap for decentralization, the Decentralisation Strategic Framework-Part II (DSF-II).

Since the basic Local Government laws are yet to be approved by the NP, the subsidiary legislation was prepared on the basis of the three draft law proposals. In 2009, the following white papers and draft regulations were prepared:

- Functional Assignments and Costing;
- Institutional Review of MSATM (draft organic law)
- Municipal Organisational Structure (draft organic law);
- Sector Decentralization Strategic Framework for MSATM
- Sector Decentralisation Strategic Framework for Ministry of Health and Infrastructure (drafts);
- Municipal Public Finance Management (draft Municipal Financial Management Regulation);
- Municipal Planning Guidelines (draft Municipal Development Planning and Municipal Investment Programme);
- Municipal Capacity Building Strategy;
- Municipal Procurement (draft Municipal Procurement Regulation);
- The Relationship between sucos (villages) and Municipalities;

These drafts will need to be reviewed once that the Local Government laws have been approved, and possibly adjusted in order to take possible changes into account.

The detailed descriptions of these white papers and draft regulations will be described in the forthcoming sections.

ACTIVITY 2.2: Regulatory Framework and Guidelines for Implementation

ACTIVITY 2.2.1: Continued support to developing legislation: In early 2009, LGSP continued support to drafting the decentralization legislation. Following the drafting of a set of three basic Local Government laws, the set of laws was submitted to NP in early 2009. The first of these three law proposals, the Law on Administrative and Territorial Division,⁹ has been approved and promulgated by the President. Prior to and during deliberations and informal discussions in parliament, LGSP provided support to a number of formal and informal events, aimed at providing technical explanations and discussing the content of the draft laws with parliamentarians. The following two laws have been submitted to NP but are pending approval:

Local Government Law: while discussions in NP initiated, the law proposal on Local Government is pending discussion and approval by NP. As result of delays, municipal elections, which were planned to be held in 2009, have not taken place. It is expected that, this law will be discussed and approved in early 2010 and municipal elections for the first four municipalities are scheduled for October 2010.

Municipal Elections Law: the law on Municipal Election is also pending discussion and approval. It is expected that this law will also be discussed and approved by the National Parliament by early 2010.

2.2.3 Organisational Structure of Municipalities: A technical assistance mission took place in May 2009 to support the MSATM in defining the organisational structure of future municipal for core administrative and operational functions. Based on consultations with key stakeholders at the national and local levels, the mission recommended a structure for future municipalities and prepared a draft organic

⁹. Official Gazette *Jornal da Republica Serie I N.º 35*, 7 October 2009.

law of future municipality. These outputs were discussed within the MSATM. Consultations with other key stakeholders will need to take place once the organic law on municipalities has been discussed and approved in Parliament.

2.2.3 The Relationship between Sucos and future Municipalities: The proposed law on Local Government foresees that “the government shall regulate relations between Suco Chiefs and municipalities pursuant to the law on community leaders with regards to the relationship of future Municipality and Sucos (villages). The following principles shall be adhered to: (i) Suco Chiefs shall abide by the decision of the Mayor; (ii) the Municipal Assembly shall encourage the involvement of Suco Councils and Suco Chiefs in municipal affairs; (iii) Municipalities shall include the necessary budget allocation in their municipal budgets to allow for the functioning of the Suco Councils”.

While elected, suco chiefs and councils would not be regarded as part of the state structure and public administration (and hence lack legal status and civil servant benefits). At the same time, sucos would be expected to play an important role in local development, particularly in local planning and service delivery. Given this ambiguity and lack of clarity, a TA mission was fielded with the objective of supporting MSATM in clarifying the relationship between municipalities and sucos and developing a legal framework governing the relationship between municipal governments and villages (or sucos) in accordance with the legislative framework and taking into account the process of decentralization reforms in Timor-Leste.

The result of the mission was a detailed and comprehensive analysis of the current status of Suco as community leaders. The issues may be encountered when dealing with Suco such as disconnection between Suco leadership and municipal-level policy making and alternative solutions for overcoming the issue was provided.

Various follow-up discussions with the MSATM Council of Directors took place and the outline regulation is being transformed into legal format for discussion in MSATM. It is expected that it will be ready for submission soon after the basic laws are approved.

ACTIVITY 2.3: Regulatory Framework for Municipal Fiscal and Financial Management

2.3.1 Functional Assignment and Costing: The objective was to provide technical recommendation to Inter-Ministerial Technical Working Groups (IMTWG) with regards to which functional assignments should be transferred to newly created municipalities as part of decentralisation process. The outcome of the study conducted during a TA mission, was, after in-depth discussions held with various line ministries (MTWGs) and other stakeholders, an identification of and a proposal of cluster basic functional assignments.

2.3.2 Sector Decentralisation Strategic Frameworks: Technical support was provided to the Ministry of Infrastructure and Ministry of Health to help them develop the S-DSF. These two ministries, by the end of 2009, were able to finalise their draft S-DSF.

The former Ministry of Infrastructure identified the maintenance of water supply as a area to be decentralized to municipalities; the Ministry of Health selected the area of primary health care. In addition, the MSATM identified all basic service currently performed by Districts and Sub-District Administration to be transferred. All these three S-DSF are still in draft forms and will be finalised once the basic laws are approved.

2.3.3 Municipal Planning, Budgeting and Implementation: A technical support mission was fielded in 2009 to support the MSATM in designing the municipal development planning process. As an outcomes

of this TA mission, draft decree laws and guidelines on Municipal Development Planning and Municipal Investment Programme were designed, based on discussions with various stakeholders, particularly with the MSATM and MoF, and District officials.

By the end of 2009, the MSATM had discussed the overall contents and is now in the process of transforming them into decree law and regulation, though it will need to be adjusted once the law on local government approved and promulgated. It is aimed at avoiding inconsistencies between the basic laws and the subsidiary legislations. In addition, the mission also assisted MSATM in drafting a decree law on Municipal Development Planning Board.

2.3.4 Municipal Public Financial Management: In partnership with the World Bank managed Public Financial Management Capacity Building Project (PFMCBP), LGSP supported the MSATM and Ministry of Finance (MoF) in designing the processes and procedures for Municipal Public Finance Management in the context of decentralization.

The outcome of the mission was, after in-depth discussions conducted with various stakeholders and in particular with the MoF and MSATM, a white paper which properly defined the principles, roles, responsibilities, rights and obligations of municipalities on how public finance will be handled in accountability manner, has been prepared. The TA mission team also prepared a draft Municipal Public Financial Management regulation.

2.3.5 Municipal Procurement: In October 2009 a technical consultant was fielded with the objective to support the MSATM and the MoF in sketching out and developing a legal framework governing municipal procurement in accordance with the legislative frameworks, taking into account of decentralization reforms in Timor-Leste. . As a result, a draft of municipal procurement regulation was prepared and discussed with MSATM. The MSATM is now in the process of transforming the draft regulation into legal form. It is expected that the legal draft will be finished and ready for discussion early in 2010 by Council of Directors of MSATM before then discuss with MoF prior to submitting it to Council of Ministers.

ACTIVITY 2.4: Management of Transitional Period and Establishment of Municipalities

2.4.1 National Preparatory Committees: In October 2009 the MSATM issued a Ministerial Directive on Establishment of Municipal Preparatory Committees¹⁰ both at National and District levels with the objective of preparing districts to become municipalities. The preparation will involve both administrative (setting up of administration, reorganisation of staff) and technical aspects (overseeing the construction of new municipality's offices). In 2009, LGSP has provided technical support to the development of the Annual Work Plan for 2010 and is expected to provide continued technical support to the Preparatory Committees in 2010.

2.4.2 Establishment of Municipal Preparatory Committees (National and District levels): Based on the Ministerial Directive on Establishment of Preparatory Committee, in November 2009 an official ceremony was launched by the Minister of MSATM to inaugurate the National Preparatory Committee (NPC). The competencies of the NPC are, among other things, to “provide technical support to the implementation of the DSF II activities related to preparations of the establishment of the new municipalities prior to and during the municipal elections”. In addition, the MSATM also inaugurated, in December, District Preparatory Committees (DPC) in four districts (Baucau, Dili, Bobonaro and Oecusse) that foreseen to be the first batch of municipalities established in 2011. The competencies of the DPC are, among others, “to cooperate with local stakeholders regarding preparations for the establishment of the

¹⁰. Official Gazette *Jornal da Republica Serie I N.º 36*, 14 October 2009.

municipality and to disseminate, in conjunction with local stakeholders, national policies and legislations concerning decentralisation.

ACTIVITY 2.5: Municipal Capacity Building: Considering the importance of local level capacity to manage new responsibilities in the context of decentralization, a technical assistance mission was fielded in October 2009 to support MSATM in defining and developing a short-term, medium-term and long-term Capacity Development Strategy in the context of decentralization reforms.

ACTIVITY 2.6: Reconfiguration of the MSATM: A technical support mission took place in April 2009 to review the current MSATM structure and develop practical recommendations on how MSATM's structure could be aligned with its new roles and increasing responsibilities related to the decentralization process and to enhance its capacities for support to future municipalities. The recommendations made by the Technical Assistance mission were discussed with the ministry. The report and a draft organic law of the ministry were discussed with the Council of Directors of MSATM. It was also recommended to set-up a working group within MSATM, consisting of key directors, to prepare recommendations for final decision by the Ministry.

OUTPUT 3: SUPPORT TO IMPLEMENTATION OF LOCAL GOVERNMENT

REFORMS: “Support is provided to GoTL for the implementation of local government reforms”

Since the Local Government laws are still pending approval by NP, LGSP has so far focused on communications and civic education activities for this component.

3.1 Production of Social Communication Material: During 2009, the communications unit produced a wide range of social communication materials such as brochures and pamphlets and was active in the coverage of LGSP and Ministry's activities on the decentralization process. The communications also has continued to promote Ministry activities on decentralization to the media through press releases. Since February the communication unit has organized press conferences and assisted the policy and legislation unit in the coverage and invitation of government officials and development partners for consultation workshops and brown bag lunches supported by LGSP.

Twelve editions of Local Governance Monthly Bulletin were produced and distributed during 2009 and the number of printed copies in Tetum has increased to 4000 a month to cover all districts and line Ministries in Dili. Besides, five editions of the radio program have been produced and finalized during the second semester and they have been broadcasted in all 16 community radios around the country. Moreover, the communication unit has also supported the Government on socialization activities in four districts: Dili, Bobonaro, Baucau and Oecusse, by providing a fact sheet on the plan for municipalities, Monthly Bulletins and other communication materials.

3.2 Civic Education on Good Local Governance: LGSP also supported communication on decentralization through a civic education program.

The design of a civic education module on good local governance was finalized during the first quarter of 2009. This module includes a DVD, flipchart, participant handout and facilitator's manual. In April, a Training-of-Trainers workshop was conducted in Dili for local. In addition, an international NGO, CONCERN International, was awarded with a contract to pilot the implementation in two districts, Lautem and Manufahi. The piloting was conducted between June and September through local NGOs in six sucos of these two districts. According to Concern, the pilot implementation has reached over 4000 people in both districts.

Furthermore, partnerships were established with a number of different international and local organizations, which carried out civic education activities on a voluntary basis, such as the NGO Oxfam, which implemented this pilot module in Oé-cusse and Covalima districts between July and September. The International Organization for Migration (IOM) assisted the MSATM in distributing the materials in four suco councils in Dili. And a second civic education module, which focuses more on the establishment of the municipalities, was prepared in draft form.

In the beginning of November, the DNDLOT, together with the Directorate of Non-Formal Education from the Ministry of Education, held a two-day training in Dili with 60 District and Sub-district coordinators on the first civic education module. The participants will conduct the training in their communities, based on the civic education materials. Another training for teachers from the Directorate of Non-Formal education will be conducted in the first quarter of 2010.

OUTUPUT 4: Programme Support

ACTIVITY 4.1: Project Support: The Project Support team continued to provide support to ongoing programme activities. Regular team meetings were held every month to discuss project progress, planned activities and challenges faced.

ACTIVITY 4.2: Programme Steering Committee (PSC) Meeting: A PSC meeting was held on 9 June, 2009 at the Ministry of State Administration and Territorial Management. The meeting was chaired by the Minister for State Administration and all members of the steering committee participated in the meeting. Progress and planned activities of the LGSP were discussed during the meeting.

ACTIVITY 4.3: Monitoring and Evaluation: In 2009, LGSP had to recruit for the position of the National M&E officer, as Mr. Carlito Alves was assigned to his new position of LDP Coordinator. The M&E team continued to monitor programme inputs, activities and outputs along key programme indicators. A team of four staff (two DNDLOT staff and two government staff) participated in a M&E training in Indonesia. In order to facilitate a string integration of M&E activities with the MSATM DNDLOT, a M&E Officer was appointed by the Ministry to work side by side with the LGSP M&E Officer and learn to manage the Management Information System (MIS). It is envisaged that, in future, the Ministry will take a stronger role on managing the M&E system.

ACTIVITY 4.4: Recruitment of new staff: During 2009, recruitment processes took place to (re-) fill the positions of the International Technical Specialist/ CTA (Susanne Kuehn), International Communications Officer (Thaiza Castilho), National Programme Manager (Henriqueta da Silva), LDP Coordinator (Carlito Alves), Monitoring and Evaluation Officer (Abrani Helder), Policy & Legislation Clerk (Gina Garcia), Finance Clerk (Liboria Savio), Driver & Logistics Coordinator (Florentino Rodrigues), and Cleaner (Domingos Pinto). In total, 10 recruitment processes took place in 2009.

ACTIVITY 4.5: Procurement: Procurement processes for furniture and motorbikes for Districts Assemblies in the new pilot districts were conducted in 2009.

Partnerships & Collaborations: As previously indicated, in 2009, the LGSP in partnership with the World Bank managed a Public Financial Management Capacity Building Project (PFMCBP) to support the MSATM and Ministry of Finance (MoF) design the processes and procedures for Municipal Public Finance Management in the context of decentralization. The outcome of this partnership and mission were, after in-depth discussions conducted with various stakeholders and in particular with the MoF and MSATM, a white paper which properly defined the principles, roles, responsibilities, rights and obligations of municipalities on how public finance will be handled in accountability manner, has been prepared. The TA mission team also prepared a draft Municipal Public Financial Management regulation.

Following the TA mission, the white paper was discussed by MSATM and the MoF in order to provide additional inputs and finally agree on the draft. As result, the white paper has been agreed with minor alteration and is still pending for transformation into a legal draft regulation. Before the end of the two mentioned missions, MSATM with support from LGSP organised a round table discussion with the objective to discuss preliminary findings and recommendations made with a wide range of stakeholders.

V. Future Workplan 2010:

Annual Work Plan and the budget for 2009 were approved by the Ministry of State Administration and Territorial Management, UNDP and UNCDF and (see Annex 2).

5.1(i)Recruitment: Recruitment processes for the International Communications Analyst, an Administration and Finance Clerk and Driver need to be finalized. Due to the large number of community infrastructure projects funded through Local Development Programme (LDP), LGSP also recognises a need to have technical monitoring and supervision for better quality of the projects. Therefore an Infrastructure Technical Officer will be recruited to address this issue.

5.2 (ii): Monitoring and Evaluation: The Monitoring and Evaluation Guidelines will be updated and subsequently M&E training will be provided to district staff Updating MIS data will continue. Field monitoring visit including data collection will be conducted for the implementation of infrastructure project in 8 pilot districts.

5.3 (iii): Procurement: A 2010 procurement plan will be submitted to UNDP procurement in early 2010. A large part of the assets to be procured by LGSP will support the Government to implement and support various activities.

VI. Abbreviations and Acronyms

CoM	Council of Ministers
DA	District Assembly
DNAF	National Directorate for Administration and Finance
DNAL	National Directorate for Local Administration
DNDLOT	National Directorate for Local Development and Territorial Management
DSF	Decentralization Strategic Framework
GoTL	Government of Timor-Leste
ISD	Infrastructure and Service Delivery
LA	Local Assembly
LDF	Local Development Fund
LDP	Local Development Program
LGOS	Local Government Options Study
LGSP	Local Governance Support Program
LPP	Local Planning Process
MoF	Ministry of Finance
MSATM	Ministry of State Administration and Territorial Management
MTWGs	Ministerial Technical Working Groups
NP	National Parliament
PEM	Public Expenditure Management
PFM	Public Financial Management
PSC	Program Steering Committee
SDA	Sub-District Assembly
SDDC	Sub-District Development Committees
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program

Annex 1.**COMMENTS TO AWP 2009: PROGRESS COMPARED TO ANNUAL WORKPLAN**

This summary is a narrative of results against the AWP report for January to December 2009.

OUTPUT/ACTIVITIES	STATUS	PROGRESS REMARKS
Output 1: PILOT (ex LDP) Procedures, processes and systems for effective local level infrastructure and service delivery (ISD) and public expenditure financial management (PEM/PFM) are piloted in selected Districts, Sub-Districts and Municipalities.		
1.1 Pilot and support for local level ISD by Local Assemblies in selected Districts		
1.1.1 Continue support local assemblies in pilot sub national units (LAs , SDDCs, PICs, Finance Team, DAT and Tender Board)	Completed	Completed support to 29 Local Assemblies and 21 SDDCs
1.1.2 PIC Meeting in 8 Pilot Districts	Completed	Second PIC meetings were completed in September 2009.
1.1.3 Support SDDC Planning Process	Completed	The activities were concluded.
1.1.4 LA Bid Opening	Completed	Eight pilot districts concluded bidding processes for 131 projects.
1.1.5 PIC Technical Meeting	Completed	PIC technical meetings were held in 8 pilot districts and 21 Sub-Districts.
1.1.6 Support establishment Oversight Committee	Completed	A total of 113 Project oversight committees (POC) were established from proposed projects.
1.1.7 Finance Report Meeting	Completed	The meeting was held by finance officer with 150 people from 29 Local Assemblies Finance Team and DAT.
1.1.8 Observing DA Finance Revision in actual districts	Completed	Concluded in Q1.
1.1.9 Observing LA Meeting in Pilot Districts	Completed	All LAs meetings were completed.
1.1.10 Provide IT equipment to LA Secretariat	Completed	In total 8 sets of computers and printers have been handed over to eight districts in August 2009
1.1.11 Provide Furniture/equipment to LA	Completed	8 Motorbikes and 8 sets of furniture Delivered
1.1.12. Observe DA, SDA Procurement Process in pilot districts	Completed	Eight pilot districts have completed the tender processes for 131 projects.
1.3 Introduce measures to improve the levels/quality of participation in Local/municipal Assemblies and suco Council (Standing Committee, training etc.)		
1.3.1 Training on Planning Regulation to District & Sub-Districts Assemblies	Re-scheduled to 2010	

1.3.2 Training in finance and procurement regulations in pilot districts	Re-scheduled to 2010	
1.3.3 Refresher training in Planning, Finance and Procurement regulation to LGSP & DNDLOT staff (national)	Completed	Refresher Training provided to Government and LGSP staff in November.
1.3.4 Provide Training to PIC members in Infra. Design and costing	Completed	Refresher training on AutoCAD to the technical staff in district level concluded in August 2009.
1.3.5 Refresher training for local stakeholders in planning regulations, budgeting, O&M	Re-scheduled to 2010	The training will be conducted in quarter four of 2010
1.4 General Issues		
Print and distribute Certificate on Planning Regulation Training	Completed	The certificates has been delivered by the MSATM in the end of December.
1.5 Additional Activity		
1.5.1 Provide training on Directive no11/2008/MAEOT regarding Community Contacting Manual	Re-scheduled to 2010	
Output 2: POLICY AND LEGISLATION		
Support is provided to GoTL for the establishment of an appropriate and comprehensive institutional, legal, and regulatory framework for local government		
2.1 Regulatory framework and guidelines for implementation		
2.1.1 Continued work on LG legislation	ongoing	LG legislations are now discussed at the National Parliament. The law on Administrative and Territorial Division approved. Discussion on Local Government law is ongoing.
2.1.2 Draft and issue Guidelines on Rules and Procedures for Municipal Assemblies	Re-scheduled to 2010	This activity is re-scheduled to next year.
2.1.3 Formulate and issue Decree Law on Rates of Remuneration for Mayors, Deputy-Mayors, Speakers, Standing Committees and Members of MAs	Re-scheduled to 2010	This activity is re-scheduled to next year.
2.1.4 Formulate and issue Decree Law on Municipal Organizational Structure	Re-scheduled to 2010	A study was completed in 2009 and an organic law is being prepared and is pending for discussion within MSATM.
2.1.5 Formulate and issue Decree Law on Municipal Personnel Management	Re-schedule to 2010	This activity is re-scheduled to next year.
2.1.6 Formulate and issue Ministerial Decree Law on Relations between Municipal Assemblies and Suco Councils	Re-schedule to 2010	A study was completed in October 2009 and consultant's report being discussed for finalisation. The draft law is re-scheduled for the Q1 of next year.
2.1.7 Formulate and issue Decree Law on Criteria and Procedures for Creation, Modification and Dissolution of Municipalities	N/A	Not scheduled in 2009.

2.2 Regulatory framework for Municipal fiscal and financial management		
2.2.1 Assess existing software platforms for PFM (and possible design of interface software)	Re-scheduled to 2010	It was originally scheduled in March 2009, but due to unavailability of a consultant, this was rescheduled to next year.
2.2.2 Municipal public financial management	Re-scheduled to 2010	A study was completed in July 2009 and a draft regulation being prepared and will be discussed in Q1 2010.
2.2.3 Formulate and issue Decree Law on Municipal Budgeting and Financial Management Manual	Re-scheduled to 2010	This activity is re-scheduled to Q1 of 2010. Once the regulation has been approved – a manual will be developed.
2.2.4 Draft and issue Guidelines for Municipal Planning, Budgeting and Implementation	Re-scheduled to 2010	A study was completed in July and two integrated draft regulations have been prepared and will be finalised in Q1 2010.
2.2.5 Draft Municipal Procurement decree law and Manual	Re-scheduled to 2010	A study was completed and a regulation has been prepared and will be discussed in Q1 2010.
2.2.6 Formulate and issue decree law on municipal revenues (Fees, Charges, Fines and External Grants)	Re-scheduled to 2010	This activity is re-scheduled to 2010.
2.2.7 Formulate and issue decree law on municipal finances: Block Grants	Re-schedule to 2010	This activity is re-scheduled to 2010.
2.2.8 Formulate and issue decree law on municipal finances: Specified transfers	Re-schedule to 2010.	This activity is re-scheduled to 2010.
2.2.9 Calculation of 2010 budget envelopes and inclusion in 2010 submission	Re-schedule to 2010	This activity is re-scheduled to 2010 as the Government only planned to have election done in 2010.
2.3 Decentralising sector service delivery functions		
2.3.1 Prepare for devolution of primary health care functions to municipalities (Sector DSF, Decree Law, amended regulations, costing)	Ongoing [completion is re-scheduled to 2010]	Following the work on functional assignments that was completed in June, the work is now ongoing. Reports and Sector DSF for the Ministry is now under development.
2.3.2 Prepare for devolution of infrastructure delivery functions to municipalities (Sector DSF, Decree Law, amended regulations, costings)	Ongoing [completion is re-scheduled to 2010]	Following the work on functional assignments that was completed in June, the work is now ongoing and Sector DSF for the Ministry is now under development.
2.3.3 Prepare for delegation of regulatory and registry functions to municipalities (Sector DSF, Decree Laws, amended regulations, costings)	Re-schedule to 2010	Following the work on functional assignments that was completed in June, the work is now ongoing and Sector DSF for Ministries attached with regulatory and registry functions is now re-schedule to be undertaken in 2010.
2.3.4 Prepare for decentralisation of social assistance and social protection functions to municipalities (Sector DSF, Decree Law, amended regulations, costing)	Re-schedule to 2010	Following the work on functional assignments that was completed in June, the work was pending since there is no clarity of Ministry's intention but re-schedule to be explored in 2010.

2.3.5 Continue Ministerial TWG activities on sector decentralization and coordination	Ongoing	The coordination during third quarter was focused on MTWGs involved in developing Sector DSF.
2.4 Communications and consultations		
2.4.1 Undertake intensive dissemination of information and communications during run up to and after municipal elections	N/A	This activity is conducted under communications component.
2.5 Management of Transitional Period and establishment of Municipalities		
2.5.1. Define strategy for transitional period between holding of elections and establishment of municipalities	Ongoing	The Municipal Preparatory Committees being established and activities will be carried out during 2010.
2.5.2 Training MSATM staff, MECs and political candidates in transitional arrangements	Re-scheduled to 2010	This activity is re-scheduled to 2010.
2.5.3 Establish municipalities	Scheduled to 2011.	This activity is re-scheduled for 2011 since it is not happening in 2009 and unlikely to happen in 2010.
2.5.4 Support municipal planning and budgeting for 2010	Re-scheduled to 2010	This activity is scheduled to 2010.
2.6 Municipal Capacity Building		
2.6.1 Design Municipal Capacity Building Strategy (MCBS)	Re-schedule to 2010.	A study was completed in Nov 2009 and the report is under review and will be finalised in Q1 2010.
2.7 Demarcation of Municipal boundaries		
2.7.1 Define a methodology for demarcation of municipal boundaries	Re-scheduled to 2010	This activity is re-scheduled to 2010.
2.8 Reconfigure MSATM		
2.8.1 Undertake institutional assessment of MSATM	Completed	A study was completed in April and a revised organic law being prepared and has been discussed within the MSATM.
2.8.2 Restructure MSATM	Re-scheduled to 2010	This activity is scheduled to 2010.
2.9 Engaging development partners		
2.9.1 Establish Joint Local Governance Forum (JLGF)	Rescheduled to 2010 onward	This activity was rescheduled to 2010 onward.
2.9.2 JLGF operational	Rescheduled to 2010 onward	This activity was rescheduled to 2010 onward.
2.10 Oversight, policy reviews and taking stock		
2.10.1 Establish Inter-Ministerial Commission on Decentralisation	Rescheduled to 2010 onward	This activity was rescheduled to 2010 onward.
2.10. 2 Oversee and review implementation of Decentralisation reforms	Rescheduled to 2010 onward	This activity was rescheduled to 2010 onward.
2.10. 3 Carry out baseline survey of local governance	Rescheduled to 2010 onward	This activity was rescheduled to 2010 onward.

Output 3: IMPLEMENTATION OF GOVERNMENT REFORM		
Support is provided to GoTL for the implementation of local government reforms		
3.1 Production of social communication material		
3.1.1 Bi-monthly radio programme	Finalized	Six editions of the Radio Program on Decentralization were concluded from July to December.
3.1.2 Monthly decentralization bulletin	Finalized	Twelve editions of the Local Governance Monthly bulletin were produced and distributed to all districts in Tetum. Portuguese and English versions are available at the Ministry's website.
3.1.3 Fact sheets	Finalized	4000 copies of a four pages fact sheet on the Municipality campaign have been printed for Information dissemination to four districts - Baucau, Bobonaro, Dili and Oecusse and where already distributed in most of these districts.
3.1.4 Radio talk Show	Finalized	On mid-September a radio talk show was recorded in Dili with the DNDLOT Director and NGOs members to explain the establishment of the municipalities in the four pilot districts. The radio talk show was broadcasted in all 16 community radios of Timor-Leste.
3.1.5 TVTL talk Show	Postponed	Planned to be held when the set of 3 laws is approved.
3.1.6 Booklet	Stopped	Although in the first quarter copies of the bulletin booklet were distributed this activity has been interrupted because of its lack of effectiveness and other materials have been printed with the allocated budget.
3.1.7 Website	Ongoing	The website is currently being updated since June with LGSP documents, articles and latest monthly bulletins. A new section on Journal of Republic has been added with ½ of 2008 to 2009 is available in website but most recent editions have not been updated as Grafica National has not provided the electronic updated versions since July.
3.2 Develop communication capacities for central & local level		
3.3 Civic Education		
3.3.1 Implementation of Civic Education Modulo Prepare training module on decentralization and local government	Ongoing	Concern International finalized the implementation of the pilot module of the civic education campaign and new mechanisms are being discussed to reach more districts, especially women and youth. IOM and Oxfam have also assisted LGSP with the distribution of the first civic education module in Dili, Oé-

		<p>cusse and Covalima in the third quarter of 2009.</p> <p>In November the LGSP assisted the DNDLOT with a second training for the District and Sub-district coordinators from the Ministry of Education on the first module that will be disseminated by the participants in their schools.</p> <p>The focus of the second module is the establishment of the municipalities, which should start in the beginning of 2010 is pending the approval of the local government law.</p>
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Annex 2 - Annual Work Plan 2010

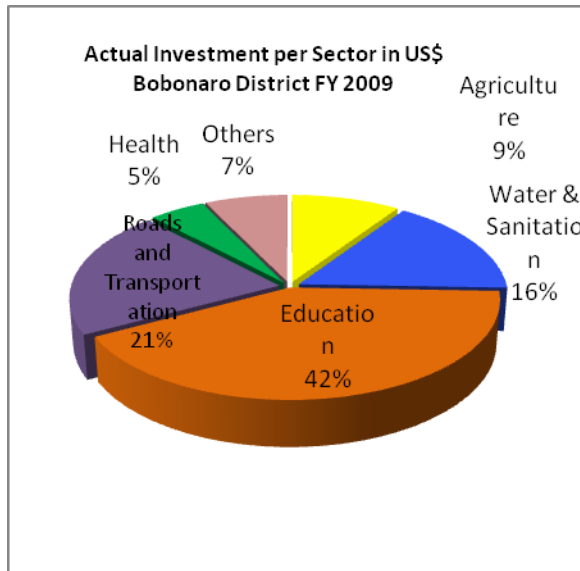
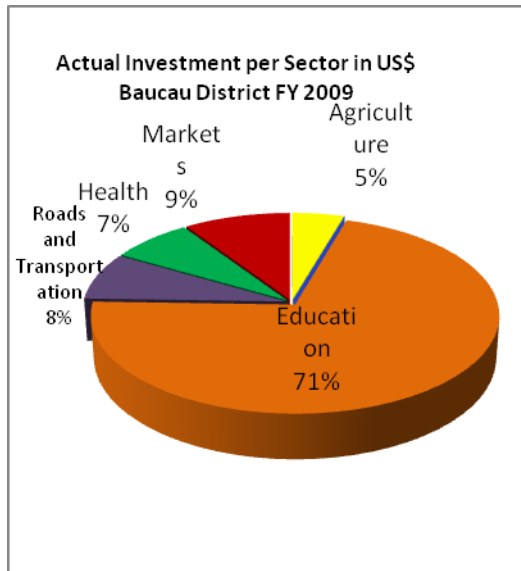
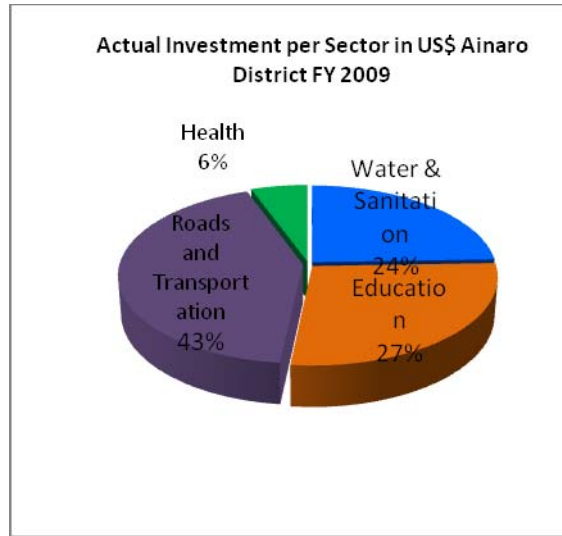
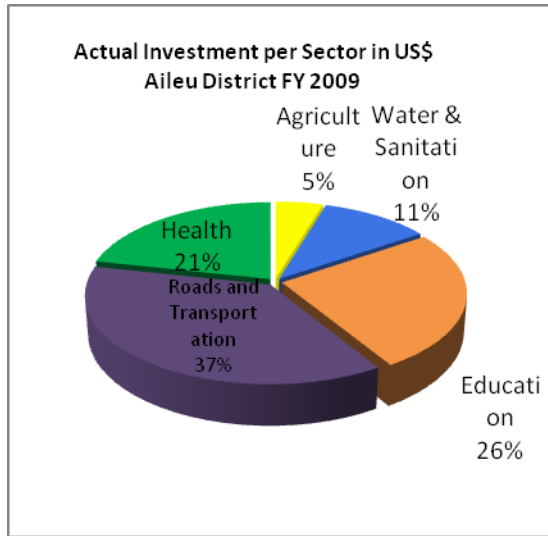
EXPECTED OUTPUTS <i>And baseline, associated indicators and annual targets</i>	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q 1	Q 2	Q 3	Q 4		Funding Source	Budget Description	Amount
<p>Output 1 By 2011, Effective and accountable local governance established through support in legislation for local government and decentralization and piloting of local government.</p> <p><i>Baseline:</i> No mechanism in place at local level to reflect the needs of the people in needs-identifying and planning process;</p> <p><i>Indicators:</i> Systems for ISD and PEM/PFM is operational in all districts and budgets are executed as planned;</p> <p><i>Targets:</i> Pilot or actual implementation of Local Government reform on ISD, PEM/PFM continues in current 8 pilot districts and possibly expanded to other districts.</p>	1. Activity: Pilot and support for local level ISD by Local Assemblies in selected Districts					UNDP/JPAA/MSATM	MSATM (in kind contribution)	72600 Grants	2,028,677.20
						UNDP/JPAA/JPA A	30000 (IRE)	71600 Local Travel	27,400
		√	√	√	√	UNDP/JPAA/JPA A	30000 (IRE)	72700 Hospitality/catering	11,500
						UNDP/JPAA	30000 (IRE)	74500 Misc	7,000
						UNDP/JPAA	30000 (IRE)	72800 IT equipment	35,630
						UNDP/JPAA	30000 (IRE)	72200 Equipment and furniture	31,300
	2. Gender support activities	√	√	√	√	UNDP/JPAA	30000 (IRE)	71600 Local Travel	7,500
						UNDP/JPAA	30000 (IRE)	72700 Hospitality/catering	5,000
	3. Introduce measures to improve the levels/quality of participation in Local/Municipal Assemblies and Suco Councils (Standing Committees, training, etc.)					UNDP/JPAA	30000 (IRE)	71600 Local travel	43,000
		√	√	√	√	UNDP/JPAA	30000 (IRE)	72700 Hospitality/catering	12,000
4. General Issues		√		√	UNDP/JPAA	30000 (IRE)	74200 Printing	1000	
5. Output Support (Programme Staff)	√	√	√	√	UNDP	04000	71300 Local Consultant/Staff	54,629	

Output 1 Total		235,959 (without government budget) 2, 264,636 (with government budget)							
<p>Output 2 By 2011, Effective and accountable local governance established through support in legislation for local government and decentralization and piloting of local government.</p> <p><i>Baseline:</i> No legal framework to ensure the community participation in the process of identifying the needs and planning at local level.</p> <p><i>Indicators:</i> Policy and legislation for decentralization and Local Government are approved by CoM and NP, after the consultation with key stakeholders based on the needs of the beneficiaries</p> <p><i>Targets:</i> The draft laws on local governance and democratisation are submitted to the NP for the consultation and the approval. Sectoral functions and responsibilities are delegated to municipalities that held municipal elections, which align with the legislation and Decentralisation Strategic Framework (DSF).</p>	1. Regulatory framework and guidelines for implementation	√	√	√	√	UNDP/JPAA	30000 (IRE)	71200 International consultants	0
						UNCDF	IRE	71200 International consultants	29,040
						UNCDF	IRE	74200 Translation fees	1,500
						UNDP/JPAA	30000 (IRE)	74200 Translation fees	1600
	2. Regulatory framework for municipal fiscal and financial management	√	√	√	√	UNCDF	IRE	74200 Workshop/Translation	3,500
						UNDP/JPAA	30000 (IRE)	71200 International Consultant	4900
						UNCDF	IRE	71200 International Consultant	9,800
	3. Communications and consultations	√	√	√	√				
	4. Management of transitional period and establishment of municipalities	√	√	√	√	UNDP/JPAA	30000 (IRE)	Misc	10,000
	5. Municipal capacity building	√				UNDP/JPAA	30000 (IRE)	74200 Workshop/Translation	1,000
	6. Demarcation of municipal boundaries		√			UNCDF	IRE	74200 Workshop/Translation	0
	7. Reconfigure MSATM	√	√						
	8. Engaging development partners		√	√	√	UNCDF	IRE	Misc	4000
	9. Oversight, policy reviews and taking stock			√		UNDP/JPAA	30000 (IRE)	Misc	2,000
		√	√	√		UNDP/JPAA	30000 (IRE)	71200 Intl Consultant	120,000
√					UNCDF	IRE	71200 Intl Consultant	110,074	
√		√			UNDP			100,000	
√		√	√	√	UNDP	04000	71300 Local Consultant/Staff	30,025	
			√	UNCDF	IRE	Misc	2,000		
Output 2 Total									429,439
<p>Output 3 By 2011, Effective and accountable local governance established through support in</p>	1. Production of social communication material	√	√	√	√	UNDP/JPAA	30000 (IRE)	71600 Travel	3,200
						UNDP/JPAA	30000 (IRE)	74200 Audio/printing	55,300
	2. Civic education	√	√	√	√	UNDP/JPAA	30000 (IRE)	72600 Grant	15,000
						UNDP/JPAA	30000 (IRE)	74200 Audio/printing	30,000

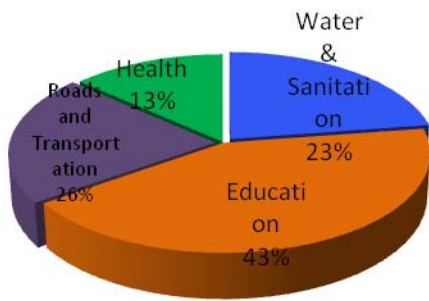
<p>legislation for local government and decentralization and piloting of local government.</p> <p><i>Baseline:</i> No mechanism/system in place to support the implementation of the legal framework on local governance and decentralisation.</p> <p><i>Indicators:</i> Reformulation of communication strategy approved by the government. Trainings are provided for c/p officials, media and local municipalities on local government and decentralisation.</p> <p><i>Targets:</i> Public awareness on local governance and decentralisation increases at community level through the implementation of communication strategy on Local Governance Reform.</p>						UNDP/JPAA	30000 (IRE)	72200 Transport/Equipment Furniture	10,000
						UNDP/JPAA	30000 (IRE)	72700 Hospitality/catering	11,500
	3. Output support	√	√	√	√	UNCDF	IRE	71200 International consultant/staff	136,000.47
						UNDP	04000	71300 Local Consultant/staff	16,183
						UNDP	30000 (NOR)	71600 Local travel	3,000
						UNDP	30000 (NOR)	74500 Miscellaneous expenses (media unit)	1,000
	Output 3 Total								
<p>Output 4 Programme Support</p>	1. Procure equipment	√	√	√	√	UNDP/JPAA	30000 (IRE)	72800 IT equipment	10,000
						UNDP	04000	72800 IT equipment	33,189
						UNDP/JPAA	30000 (IRE)	72200 Furniture Equipment	5,000
	2. Operation and Maintenance	√	√	√	√	UNCDF	G1310	61300 International Technical Advisor	160,000
						UNDP	30000 (NOR)	71600 International/local travel	20,000
						UNDP/JPAA	30000 (IRE)	72700 Hospitality/Catering	4,000
						UNDP	30000 (NOR)	73400 Maintenance and transport	30,000
						UNDP/JPAA	30000 (IRE)	73400 Maintenance and transport	10,000

						UNDP	30000 (NOR))	74500 Miscellaneous expenses/Vehicl e insurance	900
						UNDP	30000 (NOR)	72500 Stationeries	22,500
						UNDP	30000 (NOR)	72400 Communication	5,000
						UNDP	30000 (NOR)	74200 Audio/printing	85,000
						UNCDF	IRE	53400 Learning cost	20,000
						UNDP/JPAA	30000 (IRE)	74500 Miscellaneous expenses	5,000
						UNDP	04000	71300 Local staff	65,974
	3. Mid-term evaluation	√	√	√	√	UNCDF	IRE	71200 International consultants	60,000
						UNCDF	IRE	71600 International/loc al travel	15,000
Output 4 total									551,563
TOTAL									1,498, 144 (without governm ent budget) 3,526, 821 (with governm ent budget)

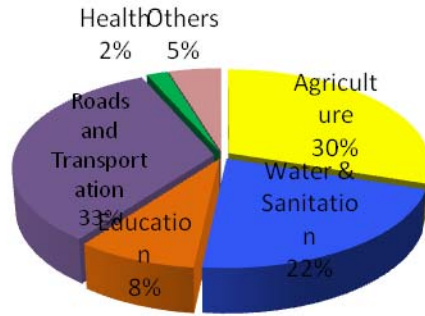
Annex 3: Annual investments per sector for FY 2009 per pilot Districts



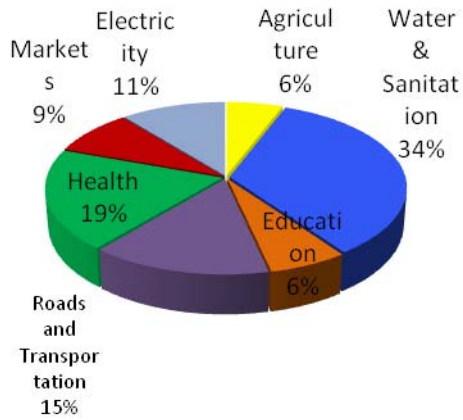
**Actual Investment per Sector in US\$
Covalima District FY 2009**



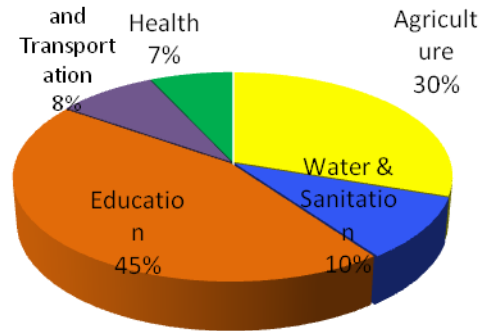
**Actual Investment per Sector in US\$
Manatuto District FY 2009**



**Actual Investment per Sector in US\$
Manufahi District FY 2009**

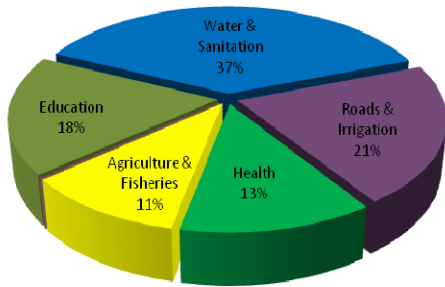


**Actual Investment per Sector in US\$
Lautem District FY 2009**

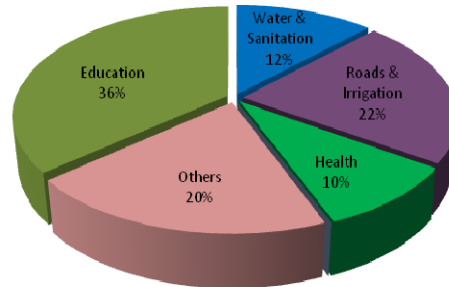


Annex 3: Annual investment per sector for FY 2010 per pilot district

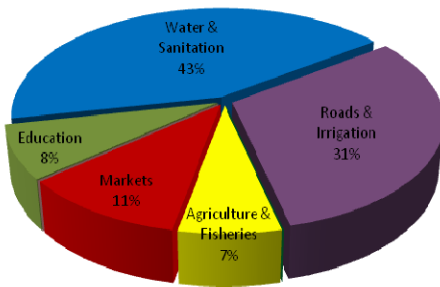
% Investment project per sector in US\$ Baucau District FY 2010



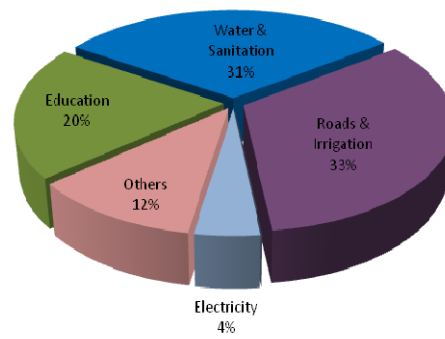
% Investment project per sector in US\$ Manufahi District FY 2010

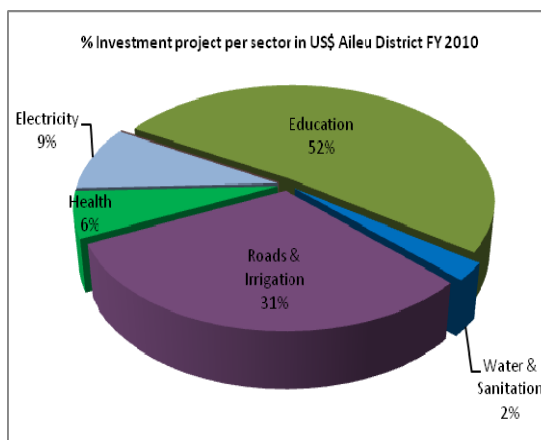
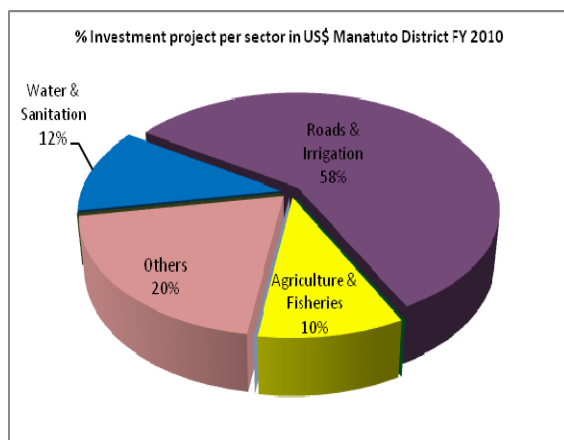
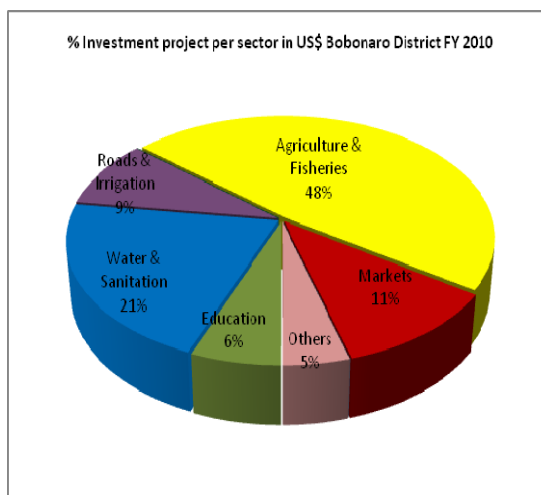
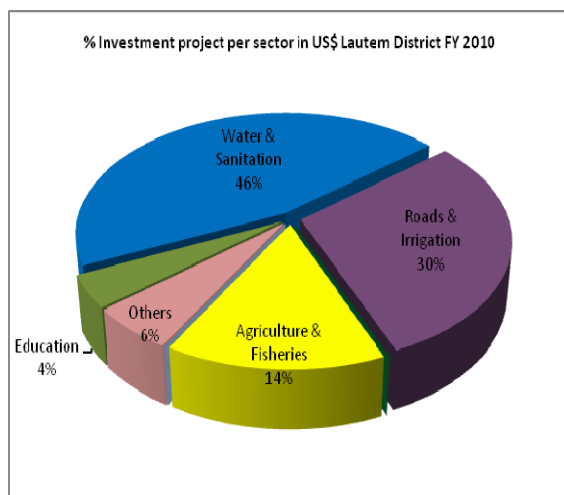


% Investment project per sector in US\$ Covalima District FY 2010



% Investment project per sector in US\$ Ainaro District FY 2010





Annex 4 - Status of Project implementation in 2009:

No	Name of District	Total Projects	# project completed	# project still ongoing	% progress per district
1	Bobonaro	27	27		100%
2	Lautem	17	17		100%
3	Aileu	14	14		100%
4	Manatuto	19	18	1	97%
5	Ainaro	15	15		100%
6	Baucau	11	8	3	88%
7	Covalima	9	9		100%
8	Manufahi	19	19		100%
TOTAL		131	127	4	97%






2009 Annual Financial Progress Report on The Local Governance Support Programme (LGSP)

Period of 1 January to 31 December 2009

**Multi-Donor Trust Fund Office
Bureau of Management
United Nations Development Programme
<http://mdtf.undp.org>**

Local Governance Support Programme (LGSP): Timor-Leste

PARTICIPATING UN ORGANIZATIONS¹¹	
	United Nations Capital Development Funds (UNCDF)
	United Nations Development Programme (UNDP)
CONTRIBUTING DONORS	
	Government of Timor-Leste
	Irish Aid
	Government of Norway

INTRODUCTION

The present Report presents annual financial data, followed by short analyses for the Joint UNDP and UNCDF Local Governance Support Programme in Timor-Leste for the period of 1st January to 31st December 2009. Aimed at reporting on the overall resources transferred to the LGSP as per Standard Administrative Arrangements, this report does not include financial data related to Third Party Cost-Sharing Agreements (Irish Aid; Norwegian Government) and the Core funds of the Participating UN agencies. In addition, this report excludes value of contributions received prior to 2009 due to change in accounting arrangements for JP-s using pass-thru funding management modality. For information on contributions for those years, please refer to Annual Report for 2008.

DEFINITIONS¹²

Joint Programme

A set of activities contained in a common work plan and related budget, involving two or more UN organizations and (sub-) national partners. The work plan and budget forms part of a joint programme document, which also details roles and responsibilities of partners in coordinating and managing the joint activities. The joint programme document is signed by all participating organizations and (sub-) national partners.

¹¹ Participating UN Organizations that have concluded a Memorandum of Understanding (MOU) with the UNDP Multi-Donor Trust Fund Office, as the Administrative Agent of the LGSP Timor-Leste.

¹² Common definitions used by the Multi-Donor Trust Fund Office in Annual Progress reporting.

Donor Pledge

An amount indicated as a voluntary contribution by a donor. Pledges are not included in the financial statements. Financial reports will report on legally binding donor commitments and deposits to the LGSP Timor-Leste.

Donor Commitment

A donor contribution as per signed Letter of Agreement / Standard Administrative Agreement with the UNDP Multi-Donor Trust Fund Office, in its capacity as the Administrative Agent of the LGSP Timor-Leste.

Donor Deposit

Cash deposit received by the Multi-Donor Trust Fund Office for the LGSP Timor-Leste.

Project Expenditure

Amount of project disbursement plus un-liquidated obligations related to payments due for the year.

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1. FINANCIAL PERFORMANCE

MDTF office, as Administrative Agent of the **Local Governance Support Programme (LGSP) Timor-Leste Joint Programme**, officially reports to donors annually on total contributions received, transfers made to Participating UN Organizations for the implementation of approved projects and the expenditures incurred against these projects.

1.1 Sources, Use and Balance of LGSP Timor-Leste Joint Programme Fund.

During the reporting period from 1 January to 31 December 2009, \$513,000 was deposited into the LGSP Timor-Leste JP account. Of this amount, \$508,000 (99% per cent) had been transferred to the two Participating UN Organisations (UNDP and UNCDF) by 31 December 2009. In addition, interest income was recorded as \$1,000 in 2009 and the Administrative Agent fee was charged as 1%, following the Letter of Understanding signed by UNDP and Irish Aid JPAA in 2009.

Table 1.1 provides an overview of the overall sources, uses and balance of the LGSP Timor-Leste funds as of 31 December 2009.

Table 1.1 Sources, Uses and Balance of LGSP Timor-Leste JP Fund, as of 31 December 2009, in US\$ Thousands

	Prior Years	2009	Total as of 31 December 2009
Source of Funds			
Gross Contributions	0	513	513
Fund Earned Interest Income	0	1	1
Participating Organization Earned Interest Income	0	0	0
Total - Source of Funds	0	514	514
Use of Funds			
Transfers to Participating Organizations	0	508	508
From Donor Contributions	0	508	508
From Earned Interest	0	0	0
Refund of Unutilized Balances on Closed Projects by Participating Organizations	0	0	0
Administrative Agent Fees	0	5	5
Direct Costs: (Steering Committee, Secretariat ... etc.)	0	0	0
Other Expenditures from Earned Interest	0	0	0
Bank Charges	0	0	0
Total - Use of Funds	0	513	513
Balance of Funds Available	0	1	1

* Value of contributions received and transfers made in 2007 and 2008 are excluded from this report due to change in administrative arrangements. For information on contributions and transfers from prior years, please refer to Annual Report for 2008.

1.2 Donor Contributions (MDTF/JP)

The Irish Aid, the major donor for the LGSP Timor-Leste, transferred \$513,000 in 2009, as indicates the table below:

Table 1.2 Total Donor Deposits, cumulative as of December 2009, in US\$ Thousands

Donor Name	Gross Donor Deposits	
	2009	Grand Total
IRISH AID	513	513
Grand Total	513	513

* Value of contributions received in 2007 and 2008 are excluded from this report due to change in administrative arrangements. For information on contributions and transfers from prior years, please refer to Annual Report for 2008.

1.3 Transfer of Approved Funding to Participating UN Organizations

During FY 2009, LGSP Timor-Leste had transferred approved project funds in the total amount of \$508,000. UNCDF and UNDP were the two Participating UN Organizations that received funding for the LGSP Timor-Leste. Table 1.3 provides the breakdown of funding by Participating UN Organizations. UNCDF received 63% of the funding (\$320,000) while UNDP received 37% (\$188,000).

Table 1.3 Transfer of Funds by Participating Organization, as of 31 December 2009, in US\$ Thousands

Participating Organization	Funds Transferred		
	Prior Years	2009	Cumulative as of 31 Dec 2009
UNDP	0	188	188
UNCDF	0	320	320
Total	0	508	508

* Value of transfers made in 2007 and 2008 are excluded from this report due to change in administrative arrangements. For information on contributions and transfers from prior years, please refer to Annual Report for 2008.

1.4 Expenditure

Cumulative expenditures for 2009 constituted \$730,000. They were co-funded by transfers received in 2009 (\$508,000) and transfers received by Participating Organizations during FY2007 and FY2008 (\$1,686,000).

1.4.1 Delivery rate

The calculus of the delivery rate for 2008-2009 indicates a rate of 216.03 percent, which was calculated based on the total transfers received in 2008 and 2009. However, as mentioned above, those expenditures were also covered by transfers received by Participating Organizations during FY2007.

Table 1.4.1 Financial Delivery Rates, for 2009 and cumulative as of 31 December 2009, in US\$ Thousands

	Cumulative			2009	
	Total Transfers	Expenditures	Delivery in %	Transfer	Expenditures
JP – Timor-Leste LGSP	508	1,097	216.03	508	730
Total	508	1,097	216.03	508	730

* Value of transfers made in 2007 and 2008 are excluded from this report due to change in administrative arrangements. For information on contributions and transfers from prior years, please refer to Annual Report for 2008.

1.4.2 Total expenditure by the United Nations Development Group (UNDG)

The cumulative expenditure for 2008 and 2009 indicates that 76.3 percent of the expenditure was Personnel related, following the UNCDF and UNDP's focus on emphasizing the provision of technical assistance and expertise within its programs; while 7.62 percent refers to supplies and equipment, and 16.08 percent to direct costs of the program. The indirect costs charged by the Participating UN Organizations averaged to 11.85 percent of total program costs along the same period. This was primarily due to accounting policy adopted by the agencies whereby indirect costs are booked in full upon receipt of contributions. Reconciliation will be done at the end of the programme to ensure that total of indirect costs charged across years would not exceed 7 per cent of total programme costs.

Table 1.4.2 Total Expenditure by Category and Reporting Period, in US\$ Thousands

Category	Total Expenditures		% of Total Programme Costs
	2008	2009	
Supplies, equipment	54	21	7.62
Personnel	271	477	76.30
Training of counterpart	0	0	0.00
Contracts	0	0	0.00
Other direct costs	1	156	16.08
Programme Costs Total	326	655	100.00
Indirect costs	41	75	11.85
Total Expenditure	367	730	

1.4.3 Expenditure by Participating UN Organizations

The total cumulative expenditure in 2009 represented \$730,000. Following the LGSP Annual Work Plan 2009, 61.2 percent (\$447) of those expenditures were carried out by UNDP; while 38.8 percent (\$283) were directly related to activities promoted by the UNCDF under the Local Governance Support Programme.

For the cumulative period of 2008 - 2009, UNCDF related expenditures represented 59 percent (\$647) of the total expenditure for this cumulative period (\$1,097), while 41 percent (\$450) were reported by the UNDP.

Table 1.4.3 Expenditure reported by Participating UN Organizations (cumulative as of 31 December 2009 in US\$ Thousands):

Participating Organization	Transfers		Expenditures		
	Budget Amount	Funds Transferred	2008	2009	Cumulative
UNCDF	1,280	320	364	283	647
UNDP	912	188	3	447	450
Total	2,193	508	367	730	1,097

* Value of transfers made in 2007 and 2008 are excluded from this report due to change in administrative arrangements. For information on contributions and transfers from prior years, please refer to Annual Report for 2008.

1.4.4 Total Expenditure by Participating UN Organization with breakdown by Category (2008-2009)

Considering the total expenditure by Participating UN Organization with breakdown by Category for the cumulative period 2008-2009 and UNDP and UNCDF roles in the LGSP, expenditure under *supplies and equipment* category represented 8.3 per cent of the total expenditure of UNCDF and 4.7 percent of the total expenditure carried out by UNDP; in the case of *personnel*, the category respectively corresponded to 85.2 per cent and 43.8 percent of UNCDF and UNDP total expenditure; while *other direct costs* represented 0.5 percent of UNCDF, and 34.2 per cent of UNDP total expenditure for the same cumulative period, as shows the table below.

Table 1.4.4 Total Expenditure by Participating UN Organization with breakdown by Category (cumulative as from 2008 to 31st December 2009, in US\$ Thousands)

Participating Organization	Funds Transferred	Total Expenditure	Expenditure by Category					Total	
			Supplies, equipment	Personnel	Training	Contracts	Other direct costs	Programme Cost	Indirect costs
UNCDF	320	647	54	551	0	0	3	608	38
UNDP	188	450	21	197	0	0	154	372	78
Grand Total	508	1,097	75	748	0	0	158	980	116

* Value of transfers made in 2007 and 2008 are excluded from this report due to change in administrative arrangements. For information on contributions and transfers from prior years, please refer to Annual Report for

2008.

1.4.5 Expenditure by Participating UN Organization with breakdown by Category in 2009

In terms of the total expenditure per Participating UN Organization with breakdown by category for the cumulative year of the 2009, *Programme Costs* represented respectively 100 percent and 83.2 percent of UNCDF and UNDP total expenditures; *supplies and equipment* corresponded to 4.7 percent of UNDP total expenditure, while UNCDF did not incur expenditures on this category. In the case of *personnel*, the category respectively represented 98.9 percent and 41.9 percent of UNCDF and UNDP total expenditure in 2009, as indicates the table below.

Table 1.4.5 Expenditure by Participating UN Organization with breakdown by Category (from 1st January to 31 December, 2009; in US\$ Thousands)

Participating Organization	Funds Transferred	Total Expenditure	Expenditure by Category					Total	
			Supplies, equipment	Personnel	Training	Contracts	Other direct costs	Programme Cost	Indirect costs
UNCDF	320	283	0	280	0	0	2	283	0
UNDP	188	447	21	197	0	0	154	372	75
Grand Total	508	730	21	477	0	0	156	655	75

* Value of transfers made in 2007 and 2008 are excluded from this report due to change in administrative arrangements. For information on contributions and transfers from prior years, please refer to Annual Report for 2008.

Brief Analysis of Overall Expenditure for the Period from 1st January to 31st December 2009

Among the total expenditure incurred in 2009 (\$ 730), 89.7 per cent was Programme cost related (\$655). Among programme costs, about 72.8 per cent (\$ 477) was incurred on Personnel; 7.62 per cent (\$75,000) was for supplies, commodities and equipment; and 21.4 per cent (\$156) was for other direct costs.

1.5 Interest Earned

From 1 January to 31st December 2009, LGSP Timor-Leste earned interest in the amount of \$1,000, which will become an additional source of income for the Project funding.

2. TRANSPARENCY AND ACCOUNTABILITY OF LGSP TIMOR-LESTE

The major vehicle for public transparency of operations under Timor-Leste **Local Governance Support Programme (LGSP) Joint Programme** is the MDTF Office Gateway, <http://mdtf.undp.org>. The Gateway is updated regularly and provides the most current information on all information related to the LGSP Timor-Leste. The public notification of all project approvals made by the LGSP Timor-Leste Executive Committee, as well as additional information and progress updates on these projects, provides a high level of transparency to national authorities, Donors, the public, and the Participating UN Organizations.