

**Joint SDG Fund**  
 Template for the Joint Programme  
 Evidence-based Final Narrative Report  
**SDG FINANCING PORTFOLIO – COMPONENT 1**

## Cover page

**Date of Report:** 30 / November / 2022

<i>Programme title and Country</i>
<b>Country: Timor-Leste</b> <b>Joint Programme (JP) title: Integrated National Financing Framework (INFF) and Financial Diversification in Timor-Leste</b> <b>MPTF Office Project Reference Number<sup>1</sup>: FC1 2020 TLS</b>
<i>Programme Duration</i>
<b>Start date<sup>2</sup> (day/month/year): 01/07/2020</b> <b>Original End date<sup>3</sup> (day/month/year): 30/06/2022</b> <b>Actual End date<sup>4</sup> (day/month/year): 30/09/2022</b>  <b>Have agencies operationally closed the Programme in its system: <u>Yes</u>/No</b> <b>Expected financial closure date<sup>5</sup>: 31/12/2022</b>

<sup>1</sup> 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 on the [MPTF Office GATEWAY](#).

<sup>2</sup> The start date is the date inserted in the original ProDoc submitted and approved by the Joint SDG Fund.

<sup>3</sup> As per approval of the original project document by the relevant decision-making body/Steering Committee.

<sup>4</sup> 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. Please see [MPTF Office Closure Guidelines](#).

<sup>5</sup> Financial Closure requires the return of unspent balances and submission of the [Certified Final Financial Statement and Report](#).

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**Programme Budget (US\$)**

**Total Budget** (as per Programme Document, without co-funding): **US\$ 1,000,000.00**

**Agency/Other Contributions/Co-funding** (if applicable): Not applicable

**Joint SDG Fund Contribution<sup>6</sup> and co-funding breakdown, by recipient organization:**

Agency/others	Joint SDG Fund contribution	Co-funding	Total
PUNO1: UNDP	\$600,000	-	\$600,000
PUNO2: IOM	\$200,000	-	\$200,000
PUNO3: WHO	\$200,000	-	\$200,000
<b>Total</b>	<b>\$1,000,000</b>	<b>-</b>	<b>\$1,000,000</b>

<sup>6</sup> Joint SDG Fund Contribution is the amount transferred to the Participating UN Organizations – see [MPTF Office GATEWAY](#).

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## Abbreviations

AAP	Annual Action Plan
ADB	Asian Development Bank
ANAPMA	Ajénsia Nasionál ba Planeamentu, Monitorizasaun no Avaliasaun (National Agency for Planning, Monitoring, and Evaluation)
BB	Building Block
CBT	Climate Budget Tagging
CPEIR	Climate Public Expenditure and Institutional Review
GoTL	Government of Timor-Leste
IMF	International Monetary Fund
INFF	Integrated National Financing Framework
IOM	International Organization for Migration
JP	Joint Programme
MoF	Ministry of Finance
MoH	Ministry of Health
MTCI	Ministry of Tourism, Commerce and Industry
N/A	Not Applicable
NCD	Non-communicable Diseases
NDC	Nationally Determined Contributions
OECD	The Organization for Economic Cooperation and Development
PF	Petroleum Fund
PUNO	Participating United Nations Organization
RC	Resident Coordinator
RCO	Resident Coordinator's Office
SDG	Sustainable Development Goal
SDP	Strategic Development Plan
SSE	Secretariat of State for the Environment
UN	United Nations
UNDP	United Nations Development Programme
VNR	Voluntary National Review
WB	World Bank
WHO	World Health Organization

## Executive summary

The Joint Sustainable Development Goal (SDG) Fund aims to increase investments in sustainable development. At the time when the intervention was proposed to the Fund, Timor-Leste did not have a holistic, national, integrated financing framework to ensure sustainable investments in the SDGs. This Joint SDG Fund commissioned this Joint Programme (JP) to assist the Government of Timor-Leste (GoTL) develop and establish an Integrated National Financing Framework (INFF) for sustainable development. The INFF was meant to articulate a financing strategy, strengthen the monitoring and oversight framework, and improve the governance and coordination for sustainable development.

In spite of the host of challenges posed by the COVID-19 pandemic during its implementation, the JP has successfully ended with 'above expectations' performance. The JP had five output indicators, and it has either achieved or exceeded each one of them. Additionally, while the JP originally sought to contribute towards establishing a pathway for financing SDGs through pro-health taxation, remittance mobilization, and increased flow of climate finances, it has gone beyond that to produce a government-owned SDG Financing Strategy that elaborates strategies to finance other national development priorities like – blue economy diversification; disaster risk management; sustainable forest management; education and skills development; water, sanitation & hygiene; food security; and social protection. Three key transformative and catalytic results the JP has produced which fostered a systematic change in the country are: one, production of a government-owned SDG Financing Strategy that offers strategies to finance sustainable development at both sectoral and national levels; two, securing government sponsorship to introduce climate budget tagging (CBT); and three, laying a highly successful foundation towards introduction of pro-health taxation in Timor-Leste.

The JP has contributed towards fully completing the INFF Inception Phase, Assessment and Diagnostics (BB1 of the INFF), and preparation of an SDG Financing Strategy for Timor-Leste (BB2 of the INFF). Additionally, it has made significant progress in strengthening the third and fourth building blocks of the INFF regarding Monitoring & Review, and Governance & Coordination.

The JP's outputs will contribute towards SDG acceleration by playing a role to reduce the mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease (SDG Indicator 3.4.1), decrease the age-standardized prevalence of tobacco usage (SDG Indicator 3.a.1), mobilize additional financing for sustainable development (SDG Indicator 17.3.1), increase the volume of remittances as a proportion of total GDP (SDG Indicator 17.3.2), and increase the statistical capacity to track progress against SDGs (SDG Indicator 17.18.1). Additionally, its outputs will contribute towards ten sub-outcomes of the UNSDCF.

Outputs of the JP are highly owned by the GoTL, as the SDG Financing Strategy, Remittance Mobilization Strategy, and pro-health tax reforms have been co-developed with the MoF, and the work on SDG-Aligned Monitoring and Review Framework has been developed in close collaboration with the ANAPMA. The work on pro-health tax reforms is also highly owned by the MoH, and the work on Blue Economy Financing Strategy and Transition Roadmap is highly championed by the MTCI. Further, the GoTL has committed to continue to implement the SDG Financing Strategy by operationalizing the INFF Secretariat.

The JP has demonstrated a successful model for Joint Programming. The key success factor has been tactical design of the program from the get-go to ensure each PUNO works in the area of their specialization with almost no risk of conflict of interests and duplication of efforts. Such design is recommended for future JPs.

## Context

The Joint Sustainable Development Goal (SDG) Fund aims to increase investments in sustainable development. At the time when the intervention was proposed to the Fund, Timor-Leste did not have a holistic, national, integrated financing framework to ensure sustainable investments in the SDGs. This Joint SDG Fund commissioned this Joint Programme (JP) to assist the Government of Timor-Leste (GoTL) develop and establish an Integrated National Financing Framework (INFF) for sustainable development. The INFF was meant to articulate a financing strategy, strengthen the monitoring and oversight framework, and improve the governance and coordination for sustainable development.

The value of this intervention has taken on even greater significance since the COVID-19 pandemic – in part because of the greater demands on public financing, and in part because of the impact of the global economic downturn on Timor-Leste’s Petroleum Fund (PF). Development financing in Timor-Leste is heavily reliant on the PF. To reduce the high reliance on the PF, the Joint SDG Fund sought to facilitate identification of diverse financing sources towards growing the GoTL’s fiscal space. Three financing areas were identified for catalyzing strategic investments in people, prosperity, and planet that emphasized mobilizing health, diaspora, and climate financing in Timor-Leste. The overarching aim of the programme was to support development of a strong INFF that lays out the foundation for pro-health taxation, diaspora financing through remittances, and financing for climate-related SDGs to together catalyze increases in investments on sustainable development.

The Joint SDG Programme was designed to be fully aligned with the priorities of the GoTL. In the country’s first Voluntary National Review (VNR) 2019, it was emphasized that Timor-Leste is in a critical state-building phase, and it is important to “create new partnerships and carefully leverage external and domestic resources to finance sustainable development”<sup>7</sup> (SDG 17). Priority SDG targets specifically mentioned in the VNR included:

- Reduce the mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory diseases (SDG 3.4.1);
- facilitate orderly, safe, regular, and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies (SDG 10.7);
- and promote mechanisms for raising capacity for effective climate change-related planning and management (SDG 13.b).

The aforementioned priorities of GoTL are in line with the objectives of this JP as objectives of the JP were to:

- Establish an INFF and implement financing reforms which would create a stronger commitment to partnership and cooperation for the goals in Timor-Leste (SDG 17).
- Initiate pro-health taxation reform to decrease the mortality rate attributed to cardiovascular diseases (SDG 3.4.1).
- Increase engagement with Timorese diaspora to mobilize funding towards sustainable development (SDG 10.c and 17.18).
- Prepare Timor-Leste to combat climate change and its impact by promoting climate-related planning and investments at sectoral level (SDG 13b).

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<sup>7</sup> Government of Timor-Leste (2019), Report on the Implementation of the Sustainable Development Goals: From ashes to reconciliation, reconstruction and sustainable development, Voluntary National Review of Timor-Leste 2019, Dili: Timor-Leste, pg. 104.

## Joint Programme Results

### 1. Overview of Strategic Final Results

#### 1.1. Overall assessment (max 100 words)

- Above expectations (fully achieved expected JP results and made additional progress)
- In line with expectations (achieved expected JP results)
- Satisfactory (majority of expected JP results achieved, but with some limitations/adjustments)
- Not-satisfactory (majority of expected JP results not achieved due to unforeseen risks/challenges)

The JP had five Output Indicators, and it has either achieved or exceeded each of them<sup>8</sup>. Additionally, while the JP originally sought to contribute towards establishing a pathway for financing SDGs through pro-health taxation, remittance mobilization, and increased flow of climate finances, it has gone beyond that to produce a government-owned SDG Financing Strategy that elaborates strategies to finance other national development priorities like – blue economy diversification; disaster risk management; sustainable forest management; education and skills development; water, sanitation & hygiene; food security; and social protection.

#### 1.2 Key results achieved (max 500 words)

Three key transformative and catalytic results the JP has produced which fostered a systematic change in the country are:

**One, production of a government-owned SDG Financing Strategy that offers strategies to finance sustainable development at both sectoral and national levels.** Based on the findings of the Assessment and Diagnostics conducted as part of this JP, ten priority areas were identified for financing Timor-Leste's progress towards sustainable development. They are: blue economy diversification; climate action; disaster risk management; diaspora development; sustainable forest management; education and skills development; water, sanitation & hygiene (WASH); food security; health; and social protection. At national scale, sources to mobilize finance for these priority concerns were then grouped into four broad sources: national and international public finance, and national and international private investments. The SDG Financing Strategy - which the government has fully committed to implement through establishment of the INFF Secretariat - offers strategies to finance sustainable development through each of the ten priority pathways listed above and also at national scale. Once fully implemented, the SDG Financing Strategy will have transformative and catalytic impact in leapfrogging Timor-Leste's advancement towards sustainable development.

**Two, securing government sponsorship to introduce climate budget tagging (CBT) in Timor-Leste.** In close collaboration with the Ministry of Finance (MoF), this JP conducted Timor-Leste's first Climate Public Expenditure and Institutional Review (CPEIR). The CPEIR assessed Timor-Leste's policy response, institutional set up, and public expenditure to tackle the impact of climate change for each of the 16 key sectors prioritized for the country's overall advancement in Strategic Development Plan 2011-2030 (SDP 2011-2030). Its findings suggested that actual public expenditure on highly climate relevant programs and activities has been declining in the country over the years<sup>9</sup>. The CPEIR further noted that the declining climate public expenditures are indicative of more deeply rooted problems like: non-alignment of budgetary allocations with climate policies adopted, inadequate integration of climate priorities in Annual Action Plans (AAPs) of line ministries, absence of measures to track climate public expenditures, and lack of a strategy to finance development at sectoral and national levels. As part of the strategies to tackle these problems, the CPEIR proposed introducing CBT in Timor-Leste which was readily accepted by the government. The JP has also supported the MoF and Secretariat of State for the Environment (SSE) make the case for CBT in Council of Ministers, and embed CBT related instructions in the budget call circular for 2023. Once fully implemented, CBT will have transformational and catalytic impact in increasing awareness about climate change at central and line ministries of the GoTL, enhancing transparency regarding climate finances and increasing climate accountability of the government, and potentially helping mobilize additional climate finance from international sources.

<sup>8</sup> Details in Annex 1.3.

<sup>9</sup> In 2018, Timor-Leste spent 4.67% of its GDP in highly climate relevant programs and projects, but it came down to 2.31% of GDP in 2020.



**Three, laying a highly successful foundation towards introduction of pro-health taxation in Timor-Leste.** In close collaboration with the MoF and the Ministry of Health (MoH), the JP has successfully argued for and implemented robust health tax measures in the 2022 budget. Most significantly, excise tax on tobacco was increased from US\$19 to US\$50 per kg, representing the first substantial increase in this rate in more than a decade. Taxes on alcohol were also increased in 2022, with excise tax on beer rising by US\$0.20 per litre; and excise tax on spirits, wine, and other alcoholic beverages rising by US\$1.00 per litre. Based on this success, the JP is now working with the government to advocate increasing the excise tax on tobacco to US\$90 per kg in 2023, and eventually to \$200 per kg for this intervention to make a substantial impact. Further increases in excise taxes on alcohol products, and introduction of excise taxes on sugar-sweetened beverages are also being advocated. These pro-taxes will have a transformative and catalytic impact in reducing the prevalence of a variety of non-communicable diseases (NCDs) like cardiovascular disease, respiratory diseases, diabetes etc. in Timor-Leste.

[1.3. Results achieved on Integrated National Financing Framework/SDG financing building blocks \(max 2 pages\)](#)

<b>Implementation Stages</b>	<b>Planned (0%)</b>	<b>Emerging (1-49% progress)</b>	<b>Advancing (50-99% progress)</b>	<b>Complete (100% progress)</b>	<b>Previously completed</b>	<b>Not applicable</b>
<b>1. Inception phase</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2. Assessment &amp; diagnostics</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. Financing strategy</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4. Monitoring &amp; review</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5. Governance &amp; coordination</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Results achieved in the Inception Phase:**

As part of the INFF Inception Phase, multiple scoping studies were conducted by this JP. They include scoping studies on – blue finance flows; climate public policy, expenditure and institutions; pro-health tax impact analysis; poverty analysis of the impact of using tobacco, alcohol, and sugar-sweetened beverages; policy gaps for diaspora engagement<sup>10</sup>; baseline challenges for mobilizing inclusive remittances<sup>11</sup>; and available information regarding the 3<sup>rd</sup> and 4<sup>th</sup> building blocks of the INFF on Monitoring & Review (building block 3), and Governance & Coordination (building block 4).

An INFF Roadmap has also been developed by this JP which has been adopted by the government. However, the Roadmap was developed as the last chapter (Chapter 6) of the capstone strategy document titled ‘Integrated National Financing Framework for Sustainable Development of Timor-Leste’ which elaborated all the building blocks of the INFF. Hence, the Roadmap was one of the final outputs of this JP, and not a product of the Inception Phase. It laid out a plan to implement the SDG Financing Strategy, and reforms needed to strengthen Monitoring and Review, and Governance and Coordination over the short (2023-2025), medium (2026-2028), and long (2029-2030) time-frames.

**Results achieved under Assessment and Diagnostic:**

An Assessment and Diagnostic was carried out as part of the capstone strategy document (Chapter 2) to evaluate the (1) financing needs, (2) financing landscape, (3) risk assessment, and (4) policy and institutional binding constraints.

- Assessment of the financing needs was largely informed by the VNR 2019 and the CPEIR launched by this JP in early 2022. Additionally, a significant volume of additional literature was reviewed to supplement the financing needs assessment drawn from these two documents. Assessment of the financing needs surrounding all of the 17 SDGs grouped into five Ps for sustainable development (people, prosperity, planet, peace, and partnership) helped identify ten cross-cutting priority concerns for facilitating sustainable

<sup>10</sup> Not a standalone study. Scoping conducted as part of the development process for National Diaspora Engagement Policy 2023-27.

<sup>11</sup> Not a standalone study. Scoping conducted as part of the Remittance Mobilization Strategy for Timor-Leste.

development of Timor-Leste. This informed development of the sectoral level financing strategies as part of the INFF.

- Assessment of the financing landscape was informed by analysis of the data shared by the MoF and published by the OECD and the Banco Central de Timor-Leste. A public expenditure review published by the World Bank (WB) in 2021, and a Finance Sector Brief published by the Asian Development Bank (ADB) in 2019 also informed assessment of the financing landscape. The landscape assessment helped identify financing bottlenecks and establish trends to support development of the national level financing strategies as part of the INFF.
- The Assessment and Diagnostic also included development of a risk matrix for Timor-Leste's INFF (Figure 1, Annex 5), and detailed discussion on identification of policy and institutional binding constraints towards effectively and efficiently mobilizing public and private finances. These enabled development of a risk-informed SDG Financing Strategy, and an INFF Roadmap that is strategically aware of and seeks to eliminate the policy and institutional binding constraints.

### **Results achieved/expected under Financing Strategy:**

A detailed SDG Financing Strategy has been developed as part of the capstone strategy document (Chapter 3) discussing specific strategies and instruments for financing sustainable development of Timor-Leste at both sectoral and national levels. It was a rigorous and ambitious undertaking that detailed risk-informed financing strategies which respond to the unique needs and constraints of Timor-Leste. At sectoral level, specific strategies and instruments have been developed for financing sustainable development of the ten priority areas shown in Figure 2, Annex 5. At national level, the financing strategies focus on unlocking the flow of public and private finance from national and international sources based on a detailed identification of the financing-related challenges the country faces (refer to Figure 3, Annex 5).

The SDG Financing Strategy primarily supports the SDP 2011-2030 which is highly aligned with SDGs. Implementation of the SDP, however, was delayed in the country due to several internal challenges, and no information is publicly available on its implementation status<sup>12</sup>. For assessing the financing needs prior to development of the SDG Financing Strategy, thus, the JP primarily relied on VNR 2019, CPEIR 2022, and other recent literature shedding light on Timor-Leste's progress towards SDGs and, in effect, implementation of the SDP 2011-2030.

Main objectives of the SDG Financing Strategy are to establish pathways for - using the public money more efficiently, increasing the fiscal space of GoTL, aligning the support of development partners to nationally owned development priorities, and unlocking the flow of private investments from national and international sources.

Key reforms recommended by the SDG Financing Strategy include- eliminating the binding constraints surrounding legal and regulatory framework for doing business (specially addressing the challenges involving land laws, enforcing contracts, and reorganizing or winding up businesses), improving efficiency of public expenditure by improving forward planning and monitoring and review systems, making public investment management process more climate responsive and disaster resilient, and issuing performance-based contracts for provision of key social services.

One of the recommended financing strategies on pro-health taxation has already been implemented by the GoTL. Additionally, in close collaboration with the Ministry of Tourism, Commerce and Industry (MTCI), the JP has further piloted a seaweed farming initiative in line with the capstone strategy document's recommendation to focus on non-fed mariculture sector in the short-term for blue economy development. The government plans to keep using the SDG Financing Strategy in future based on the INFF Roadmap under the supervision of INFF Secretariat.

The SDG Financing Strategy sets a target to mobilize at least \$2.5 billion from domestic and international public and private finance sources in the short-time frame between 2023-2025. The INFF Roadmap recommends evaluation of achievements at the end of short-term planning horizon to recalibrate the fund mobilization target for subsequent medium and long time-frames as needed.

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<sup>12</sup> Two assessments of the SDP implementation has been conducted by ANAPMA but the findings were not published or accessible otherwise during the course of this JP.

**Progress made and intermediate results achieved under Monitoring and Review:**

Chapter 4 of the capstone strategy document proposes a three-pillar framework for Monitoring and Review of Timor-Leste’s INFF (Figure 4, Annex 5). The first pillar would track inputs to the INFF, i.e., financing channelled from domestic and international public and private sources; the second pillar would assess the efficiency and effectiveness of the investment on a quarterly to annual basis; and the third pillar would focus on evaluation of outcomes annually to every five years. The capstone document provides detailed recommendations for strengthening the three pillars based on an analysis of the Monitoring and Review instruments currently used by the GoTL (presented in Chapter 4 of the capstone strategy paper). The INFF Roadmap (Chapter 6 of the capstone strategy paper) further details a timeline for implementing the reforms recommended.

Towards strengthening the third pillar of Monitoring and Review framework on evaluation of outcomes, as part of this JP, ANAPMA and UNDP have already initiated work on developing a National Monitoring and Oversight Framework to strengthen the INFF outcome evaluation process. The initiative is building an SDG-aligned National Monitoring and Oversight Framework in support of financial reforms grounded on results delivery. The framework would help Timor-Leste not only monitor its progress towards SDGs, but also its implementation of the SDP.

**Progress made and intermediate results achieved under Governance and Coordination:**

The INFF process is to be owned and led by the Government of Timor-Leste. In 2019, the Government of Timor-Leste established the Inter-Ministerial Council (IMC), chaired by the Prime Minister, to oversee all initiatives related to public finance management (PFM), state administration and other major reforms in the country. The INFF ownership will be ensured by its championship by the IMC.

The IMC will oversee, coordinate and align government’s approach toward financing across a wide spectrum of public and private finance policy areas. This include – but are not limited to - program budgeting and monitoring, capital investments, private investment promotion, banking reforms etc. The IMC will work towards implementing the recommendations put forth in the INFF, and also lead the process of operationalizing of the INFF in Timor-Leste by providing substantive guidance, convening stakeholders, and supervising the implementation of the reform initiatives recommended by the INFF. A preliminary agreement has been reached for the current IMC to take on mandate over INFF oversight, in parallel to other PFM reform initiatives spearheaded by the World Bank and International Monetary Fund (IMF).

As per the preliminary agreement, an INFF Secretariat will be housed within the PFM Reform Secretariat (Figure 5, Annex 5). Representatives of Ministry of Finance and ANAPMA will chair the INFF Secretariat with continued support of UNDP’s technical assistance. Representatives of the key line ministries with specific relevance to the INFF – including but not limited to Ministry of Tourism, Trade and Industry; Ministry of Agriculture and Finance; Secretariat of State of the Environment; Banco Central de Timor-Leste; Ministry of Public Works; Ministry of Education, Youth and Sport; Ministry of Health - will also partake in the INFF Secretariat.

1.4. Contribution to SDG acceleration

SDGs indicators	Baseline	Expected target	Actual results achieved/to be achieved in the near future	Reasons for deviation from targets, if any
<b>Indicator 3.4.1:</b> Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease	19.9% (2016) Source: VNR 2019	N/A	The pro-health taxes introduced as part of the JP is expected to decrease mortality rate attributed to cardiovascular disease, cancer, diabetes, and chronic respiratory disease.	N/A

			Actual results can be quantified at least 3 years after the JP's closure. Estimation of actual results will require advanced econometric modelling to separate the impact of pro-health taxation on decline on mortality rate attributed to the aforementioned NCDs.	
<b>Indicator 3.a.1:</b> Age-standardized prevalence of current tobacco use among persons aged 15 years and older	28.4% Total 52.7% Male 4.1 Female Source: VNR 2019	N/A	The pro-health taxes introduced as part of the JP is expected to decrease age-standardized prevalence of current tobacco use among persons aged 15 years and older. Actual results can be quantified at least 1 year after the JP's closure. Estimation of actual results will require advanced econometric modelling to separate the impact of pro-health taxation on decline of prevalence of tobacco usage.	N/A
<b>Indicator 17.3.1:</b> Additional financial resources mobilized for developing countries from multiple sources	N/A	N/A	Between 2008 to 2019, public expenditure averaged around 86% of GDP, and in each of those years over 80% of public expenditure was financed by withdrawals from the PF. The SDG Financing Strategy produced by this JP will help Timor-Leste mobilize additional financial resources from multiple sources. Actual results can be quantified as additional financial resources continue to be mobilized.	N/A
<b>Indicator 17.3.2:</b> Volume of remittances (in United States dollars) as a proportion of total GDP	23% Source: VNR 2019	N/A	The strategies to finance diaspora development put forth as part of the SDG Financing Strategy, and the work of IOM as part of this JP are expected to result in higher inflow of remittances in the coming years. Actual results can be quantified at least 3 years after the JP's closure. Estimation of actual results will require advanced econometric modelling to separate the impact of this JP's intervention in increasing the volume of remittances.	N/A
<b>Indicator 17.18.1:</b> Proportion of sustainable development indicators produced at the national level with full disaggregation when relevant to the target, in accordance with the	(TIER II / III)  Source: VNR 2019	N/A	As part of this JP, ANAPMA and UNDP have already initiated work on developing a National Monitoring and Oversight Framework to strengthen the INFF outcome evaluation process. The initiative is building an SDG-aligned National Monitoring and Oversight	N/A

Fundamental Principles of Official Statistics			Framework in support of financial reforms grounded on results delivery. The framework would help Timor-Leste not only monitor its progress towards SDGs, but also its implementation of SDP. Actual result can be quantified after the framework has been fully developed and implemented.	
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1.5. Contribution to SDG financing flows (max 500 words)

**Contribution of the SDG Financing Strategy towards unleashing flow of public finance for the SDGs:**

The Assessment and Diagnostic (BB1 of INFF) conducted as part of this JP revealed three key challenges at the root of inadequate use of public finance for the SDGs in Timor-Leste: (1) high levels of inefficiencies of public expenditure, (2) depleting PF, and (3) low tax and non-tax revenues of the government. To address these challenges the Financing Strategy (BB2 of INFF) prepared by this JP made several recommendations that are grouped into two categories: one, strategies of use public money well, and two, strategies to increase the government’s fiscal space (Figure 1). Implementation of these recommendations by the INFF Secretariat in the coming days will unleash the flow of public finance for the SDGs in Timor-Leste.

Strategies Concerning National Public Finance	
Strategies to Use the Public Money Well:	Strategies to Increase the Government’s Fiscal Space:
<ul style="list-style-type: none"> <li>▪ Significantly improve efficiency of public expenditure by improving forward planning and monitoring and review systems</li> <li>▪ Make public investment management process more climate responsive and disaster resilient</li> <li>▪ Issue performance-based contracts for provision of key social services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Explore use of innovative financing instruments to increase the fiscal space of the government like project bond, resilience bond, parametric insurance, diaspora bond, and social impact bond</li> <li>▪ Free-up fiscal space by scalping up investments on renewable energy to reduced reliance on imported, expensive fossil fuel</li> <li>▪ Use fiscal instruments like excise tax and tariffs to influence pro-health and sustainable consumption practices</li> <li>▪ Establish mariculture based state-owned enterprises</li> <li>▪ Undergo tax policy and administration reforms to address the very large budget financing gap</li> </ul>

**Figure 1: Recommendations Made by the Financing Strategy for Unleashing the Flow of Public Finance for the SDGs**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022

Here it is to be noted that – as mentioned earlier – one of the key recommendations of the SDG Financing Strategy about introducing pro-health taxes have already been accepted and implemented by the GoTL through this JP’s assistance.

In addition, the JP’s work on SDG-Aligned Monitoring and Review Framework will help asses the flow of public finance towards achievement of SDGs.

**Contribution of the SDG Financing Strategy towards unleashing flow of private finance for the SDGs:**

The Assessment and Diagnostic (BB1 of INFF) conducted as part of this JP revealed five key challenges at the root of poor flow of private finance for the SDGs in Timor-Leste: (1) small domestic market comprised of mostly poor populace making a weak case for domestic private investments and market-seeking FDIs, (2) partially complete legal and regulatory framework for doing business, (3) poor access to finance and weak financial intermediation, (4) lack of skills for starting and operating profitable ventures at scale on market principles,

and (5) wage-cost disadvantage making a weak case for efficiency-seeking FDI. To address these challenges the Financing Strategy (BB2 of INFF) prepared by this JP made different sets of recommendations for increasing the flow of national and international private finance in Timor-Leste (Figure 2, Figure 3). Implementation of these recommendations by the INFF Secretariat in the coming days will unleash the flow of private finance for the SDGs in Timor-Leste.

The SDG Financing Strategy also includes recommendations for several bankable projects that can help mobilize additional private finance towards SDGs as early as in 2023. Examples of some bankable projects recommended in the SDG Financing Strategy are: peer-to-peer solar energy network for low carbon electricity and transport services, biogas plants in rural areas for clean cooking solutions and income generating activities, commercial production of non-timber forest products through community-based agroforestry, sanitation infrastructure at household level, and seawater greenhouses.

The SDG Financing Strategy also shows a pathway for transferring some of the common risks for financing SDGs traditionally bore by the government to the private sector by issuing conservation impact bonds for fisheries sector development; issuing social impact bonds for providing health and education sector related public services; sponsoring resilience bond and subscribing to parametric insurance for financing disaster risk management; developing remittance-linked insurance schemes for building financial resilience against health, asset, and business-related risks at household level; and designing weather-based microinsurance products for supporting farmers at the grassroot level<sup>13</sup>.

Four-prong Approach to Mobilizing Domestic Private Investments	
<b>Strategies to Create Enabling Market Conditions:</b> <ul style="list-style-type: none"> <li>Develop local supply and value chains</li> </ul>	<b>Strategies to Create Enabling Regulatory Conditions:</b> <ul style="list-style-type: none"> <li>Eliminate the binding constraints surrounding legal and regulatory framework for doing business – specially address the challenges involving land laws, enforcing contracts, and reorganizing or winding up businesses</li> </ul> <p><i>This strategy is equally, if not more, relevant for mobilizing finance from international private sector as well</i></p>
<b>Strategies to Enhance Adequate Access to Skills:</b> <ul style="list-style-type: none"> <li>Transfer skills and ensure sustainable use of microfinance at grassroot levels</li> <li>Invest in active labour market programs that train youth in skills that are in high demand</li> </ul>	<b>Strategies to Enhance Adequate Access to Finance:</b> <ul style="list-style-type: none"> <li>De-risk financing provided to domestic MSMEs by providing guarantees</li> <li>Make microfinance and microinsurance products available and accessible to poorer segments of populace</li> <li>Provide remittance-linked insurance to build financial resilience at household level</li> </ul>

**Figure 2: Recommendations Made by the Financing Strategy for Unleashing the Flow of Domestic Private Finance for the SDGs**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022

<sup>13</sup> Development of the insurance products will help the government reduce the fiscal burden associated with providing support to help the farmers recover from weather-based loss and damages.

Challenges towards mobilizing international private investments		Three-prong strategies to address the challenges		
Fundamental challenges of private sector development that impact mobilization of international private investments as well	Additional challenges to attracting international private investments	Strategies to develop market attractiveness	Strategies to de-risk international private investments	Strategies to attract the 'right kind of private finance' with the 'right financing instruments'
Weak market conditions	Wage-cost disadvantage	Strategically develop market conditions to attract the desired kind of FDIs	De-risk international private investments by blending them with national public investments	Target impact investments from foreign investors
Underdeveloped legal and regulatory framework for doing business	Small domestic market comprised of mostly poor populace	Connect to international supply and value chains		Explore use of innovative financing instruments like conservation impact bonds, blue carbon credits, plastic credits, nature-based carbon credits
Inadequate supply of skilled labour		Address the legal and regulatory bottlenecks, and invest in skills development as discussed earlier for mobilizing domestic private sector investments		

**Figure 3: Recommendations Made by the Financing Strategy for Unleashing the Flow of International Private Finance for the SDGs**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022

In addition, the JP’s work on preparing Survey Questionnaire for SDG-Aligned Private Investments which will be used by the MTCI in near future will help assess the flow of private finance towards achievement of the SDGs.

**Contribution of the SDG Financing Strategy towards mobilizing financial resources to achieve the Nationally Determined Contributions (NDC) targets:**

Timor-Leste submitted its first updated NDC in November 2022. The updated NDC recasts mainly four commitment areas: 1. climate risk governance; 2. nature-positive growth and transition; 3. low carbon development; and 4. climate change adaptation and resilience building. Multiple recommendations put forth by the SDG Financing Strategy will help the GoTL mobilize financial resources to achieve NDC targets across the four commitment areas as shown in Figure 4.



<b>Commitment Area 1: Climate Risk Governance</b>	<b>Commitment Area 2: Nature-positive Growth and Transition</b>
Relevant recommendation from the SDG Financing Strategy: <ul style="list-style-type: none"> <li>Introducing climate budget tagging (CBT)</li> </ul>	Relevant recommendation from the SDG Financing Strategy: <ul style="list-style-type: none"> <li>Launching payments for ecosystem services (PES) programmes</li> <li>Establishing Conservation Trust Funds (CTFs)</li> <li>Selling blue carbon credits for financing mangrove restoration and conservation</li> <li>Selling plastic credits</li> <li>Targeting FDIs on waste recycling venture</li> <li>Levying excise tax on non-recycled virgin plastic products and packaging</li> <li>Targeting Official Development Assistance (ODA) and/or CSR or philanthropic grant financed seed investment to build commercially viable financially self-sustaining solar power desalination plant</li> <li>Issuing conservation impact bonds for fisheries sector development</li> <li>Marketing non-timber forest products and services harvested through community-based forestry schemes</li> <li>Selling nature-based carbon credits</li> </ul>
<b>Commitment Area 3: Low Carbon Development</b>	<b>Commitment Area 4: Climate Change Adaptation and Resilience Building</b>
Relevant recommendation from the SDG Financing Strategy: <ul style="list-style-type: none"> <li>Scaling up investments on renewable energy</li> <li>Promoting use of clean cooking solutions</li> <li>Adopting a climate responsive trade regime</li> </ul>	Relevant recommendation from the SDG Financing Strategy: <ul style="list-style-type: none"> <li>Establishing a national Climate Adaptation Fund accumulating annual contributions for adaptation finance</li> <li>Mobilizing blended finance for adaptation projects</li> <li>Using microfinance products for building climate resilience bottom-up</li> <li>Embedding the ethos of climate change adaptation in public investment management system</li> </ul>

**Figure 4: Alignment of the SDG Financing Strategy with NDC Targets**  
 Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022

[1.6. Results achieved on contributing to UN Development System reform at the country level \(max 500 words\)](#)

The JP has enabled UNCT to provide strengthened system-wide support to the SDGs at the country level and catalyze UN coherence. The JP has enabled the UN system to work better together, drawing from the technical skills and expertise the PUNOs.

The JP was designed to promote UN coherence and reduce duplication of efforts as each PUNO worked on their area of specialization.

The JP's contributed to the UNSDCF as shown in Table 1.

**Table 1: JP's Contribution to the UNSDCF**

<b>UNSDCF Sub-Outcome</b>	<b>Output of the JP Which Will Contribute to the Sub-Outcome</b>
<b>Sub-Outcome 1.1: Nutrition, access to water and sanitation</b> By 2025, access to quality nutrition services, in particular for adolescents, women of reproductive age and children under five years old and hygiene, water and sanitation services for all have improved significantly and sustainably.	SDG Financing Strategy (In particular, strategies to finance Food Security; and Water, Sanitation & Hygiene)
<b>Sub-Outcome 1.2: Agri-food systems and food security</b> By 2025, agricultural productivity and income have sustainably increased based on climate-smart/ resilient crop, livestock, forestry and fisheries' production, post-harvest management and access to markets, in particular for smallholder producers, women farmers and rural youth.	SDG Financing Strategy (In particular, strategies to finance Food Security; and strategies to finance development of fed and non-fed mariculture and fisheries sectors)



UNSDCF Sub-Outcome	Output of the JP Which Will Contribute to the Sub-Outcome
<p><b>Sub-Outcome 2.2: Business environment</b> By 2025, conditions and incentives for diversified and sustainable entrepreneurship and private sector growth, prioritizing NEET youth, women, returning labour migrants and rural population, are created.</p>	SDG Financing Strategy (In particular, strategies to mobilize private finance from domestic and international sources)
<p><b>Sub-Outcome 2.3: Skills development</b> By 2025, inclusive and innovative learning and training systems including public and private TVET are put in place to support lifelong learning, competencies and skills development of people, particularly women and youth, to engage in gainful employment.</p>	SDG Financing Strategy (In particular, cross-cutting recommendation to invest on skills development)
<p><b>Sub-Outcome 4.3: Behaviour change for determinants of health</b> By 2025, communities, particularly women and girls and persons with disabilities, and civil society actors are engaged and empowered to influence decisions and behaviour that affect health and well-being to ensure that the needs of the poor, the less educated, rural communities, women and children, persons with disabilities, migrant and mobile populations and other marginalized and vulnerable population groups are met.</p> <p>[Relevant indicators: Indicator 4.3.4 Mortality from cardiovascular disease, cancer, diabetes or chronic respiratory disease Indicator 4.3.5: Age-standardized prevalence of current tobacco use among persons aged 15 years and older Indicator 4.3.6: Percent of adult population (18–69 years old) who engage in heavy episodic drinking (6 or more drinks on any occasion in the past 30 days before the survey) Indicator 4.3.7: Percentage of students 13–17 years old who currently drink alcohol (at least one drink of alcohol on at least one day during the 30 days before the survey)]</p>	Work on introducing pro-health taxes
<p><b>Sub-Outcome 5.2: Reform of public administration</b> By 2025, people access effective and innovative public administration facilitated by SDG-focused, evidence-based and gender-responsive planning and budgeting systems and professional and meritocratic civil service professionals at all levels.</p>	Work on introducing climate budget tagging;  Work on developing INFF Monitoring and Review Framework
<p><b>Sub-Outcome 5.3: Citizens' participation and decentralized service delivery</b> By 2025, groups facing multiple forms of discrimination and social exclusion, in particular youth, women and children, from rural areas and persons with disabilities, have increased participation in democratic institutions and increased access to inclusive and efficient public services at sub-national levels.</p>	SDG Financing Strategy (In particular, recommendation for using social impact bonds for delivering health, education, and TVET related public services)
<p><b>Sub-Outcome 6.1: Disaster risk management and climate change adaptation</b> Gender-responsive and equitable DRM and climate change adaptation/management policies and programmes (including social protection) are developed and implemented and awareness is raised at national and sub-national government levels, in communities and civil society organizations.</p>	SDG Financing Strategy (In particular, strategies to finance Climate Action; and Disaster Risk Management)
<p><b>Sub-Outcome 6.2: Resilient infrastructures</b> Safe, gender-responsive and climate-resilient infrastructure, systems and human settlements for targeted communities are established and delivered.</p>	SDG Financing Strategy (In particular, strategies to finance Climate Action; and recommendation for making public investment management process more climate responsive and disaster resilient)
<p><b>Sub-Outcome 6.3: Terrestrial and ocean resources sustainable management</b> Effective and gender-equitable strategies and systems are in place for sustainably managed land, forest, coastal and marine resources</p>	SDG Financing Strategy (In particular, strategies to finance Blue Economy Diversification; and Sustainable Forest Management)

[1.7. Results achieved on cross-cutting issues \(max 200 words\)](#)

In alignment with the principle of 'Leaving No One Behind', the JP treated impact on marginalized and vulnerable groups, in particular women and girls, as a cross-cutting priority. Gender equality was mainstreamed throughout the JP, in terms of the impact of the overall INFF, and especially in the health financing and climate financing work streams. The work on pro-health taxes would contribute towards addressing the impact of tobacco and alcohol consumptions on intra-household inequality, gender-based violence, and right to health.

The project on Seaweed Farming for Sustainable Livelihood financed by the JP had 49% female beneficiaries (796 female beneficiaries among 1,623 total beneficiaries).

Further, creation of decent work opportunities and a healthy, skilled workforce is a cross-cutting theme of the SDG Financing Strategy produced by the JP. The SDG Financing Strategy seeks to address the two-fold challenges of first, creating a skilled, educated, and healthy workforce who can propel the economy forward by starting productive enterprises and obtaining gainful employment; and second, of creating an economic environment where the workforce can pursue entrepreneurial ventures and secure waged work opportunities matching their skill levels (Figure 5).



**Figure 5: Timorese Jobs Market Puzzle**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022

Each of the ten areas prioritized for Timor-Leste’s development in the SDG Financing Strategy, directly or indirectly, relates to addressing the supply and/or demand side challenges surrounding the Timorese jobs market (Annex 6). All the pieces, ultimately, come together to propel the country towards achievement of SDGs at national and household levels.

### 1.8. Results achieved on COVID-19 recovery (max 200 words)

The JP was integrated as part of UNCT’s COVID-19 Socio-Economic Response Plan (SERP) for Timor-Leste in 2020. In 2021, the SERP was folded into the UNSDCF 2021-2025. The JP’s outputs contribute towards promotion of sustainable economic opportunities and decent work creation towards COVID-19 recovery.

Additionally, the strategies to finance disaster risk management put forth as part of the SDG Financing Strategy produced by the JP will help the GoTL better prepare for financing recovery from future emergencies.

### 1.9. Strategic Partnerships (max 500 words)

The MoF and ANAPMA are the primary implementing partners of the JP. Other important strategic partners of the JP from the GoTL include MTCI, Infrastructure Fund, Ministry for Coordination of Economic Affairs, MoH, Ministry of Foreign Affairs, Trade-Invest Timor-Leste, and Secretariat of State for the Environment.

The UN has had extensive discussions with the European Union (EU) as well as the WB and the ADB about its work on the INFF. The INFF work complements other on-going work led by the MoF on reforming public financial management (PFM). The JP has contributed to the development partners’ integrated support to the national PFM process, bringing together support from the EU, Australia, the WB, the IMF, the ADB, and the UN.

1.10. Additional financing mobilized (max 300 words)

Source of funding	Yes	No	Type of co-funding/co-financing	Name of organization	Amount (USD)	Comments
Government	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commitment	MoF	\$100,000	The MoF has committed to provide \$100,000 to operationalize the INFF Secretariat in 2023
Donors/IFIs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Indirect support	WB, IMF	N/A	The INFF Secretariat will be housed with the PFM Reform Secretariat which is spearheaded by the WB, and the IMF
Private sector	<input type="checkbox"/>	<input checked="" type="checkbox"/>	-	-	-	-
PUNOs	<input type="checkbox"/>	<input checked="" type="checkbox"/>	-	-	-	-
Other partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>	-	-	-	-

## 2. Results by JP Outcome and Output

2.1. Results achieved by Fund's global results (max 500 words)

The JP has contributed to Global Outcome 2 and Global Output 4 of the Fund.

Its results pertaining to Global Outcome 2 will be quantifiable in future as the SDG Financing Strategy produced by the JP continues to be implemented.

The JP has achieved all the targets set against Indicators 4.1, 4.2, and 4.3 of the Global Output 4. Towards this end, the JP has tested viability of developing non-fed mariculture sector in Timor-Leste by financing a seaweed farming project (against Indicator 4.1), the GoTL has implemented pro-health taxes with the support of the JP (against Indicator 4.2), and the JP has supported the GoTL develop a framework for engaging with Timorese diaspora to accelerate SDG progress (against Indicator 4.3).

For further details please refer to Annex 1.1.

2.2. Results achieved by Joint Programme Outcome (max 500 words)

It is not possible to evaluate the JP's results against JP Outcome 1 and 2.

The Outcome 1 Indicator is: 'Percentage increase of public investments mobilized within SDG aligned programs and objectives as a proportion of total domestic budget'. However, the percentage increase cannot be calculated as except for climate public expenditure, baseline has not been established for the other SDG-aligned public investments. The CPEIR established baseline for climate public expenditures. From 2023, CBT will be used to monitor percentage increases in climate public expenditure compared to the baseline established by CPEIR. For the other SDGs, it will be important to first establish a credible baseline through conducting an SDG budget review, so that percentage increases in the SDG aligned programs can be calculated in future.

The Outcome 2 Indicator is: 'Percentage increase of ODA and other investments mobilized for sustainable development objectives and initiatives from private sources'. However, trends cannot be established as except for climate related ODAs, there is no available baseline for reference regarding ODAs and private investments for other sustainable development objectives. The CPEIR established baseline for climate expenditures financed by ODA. Even though, ODAs are not considered part of the General State Budget in Timor-Leste, the MoF has recently created a new platform for gathering information on annual flow of ODAs, and requested UNDP's support to implement climate markers in that platform. Once the markers are implemented in early 2023, it will be possible to track trends of climate related ODAs. For the other SDGs, it will be important to first establish a credible baseline through conducting an SDG budget review (including review of the ODAs), so that the percentage increases in ODAs for SDG aligned programs can be calculated in future. The chapter on

Monitoring and Evaluation (BB3 of INFF) of the capstone strategy document has also recommended harmonization of program classifications applied to the General State Budget and ODAs (ODAs are currently published separately as Budget Book 5), so that a coherent tracking system for domestic public expenditure and ODA investments on SDGs can be put in place. Additionally, currently there is no system to track private investments on the SDGs. Introduction of a system to track private investments on the SDGs is one of the recommendations of the chapter on Monitoring and Evaluation (BB3 of INFF) of the capstone strategy document.

For further details please refer to Annex 1.3.

### [232. Results achieved by Joint Programme Output \(max 500 words\)](#)

The JP has either achieved or exceeded each of the JP Output Indicator.

For Output 1.1 Indicator a target was set to implement two new INFF policies and initiatives that contribute to the development and implementation of a more holistic and integrated system of financing. Against this target, the JP has implemented three new INFF policies and initiatives which are: (1) development of an SDG Financing Strategy (as BB2 of INFF), (2) development of an SDG-aligned National Monitoring and Oversight Framework (as part of the third pillar of BB3 of INFF), and (3) establishment of a INFF Secretariat (as part of the BB4 of INFF). Thus, the JP has exceeded the original target set for Output 1.1 Indicator.

For Output 1.2 Indicator a target was set to implement two priority reforms on pro-health taxation, diaspora engagement, and climate financing. Against this target, the JP has implemented four priority reforms which are: (1) introduction of pro-health taxes, (2) development of Diaspora Engagement Policy, (3) development of Remittance Mobilization Strategy, and (4) introduction of Climate Budget Tagging. Thus, the JP has exceeded the original target set for Output 1.2 Indicator.

For Output 2 Indicator a target was set to update pro-health tax regime. Against this target, the JP has contributed towards increasing excise taxes on both tobacco and alcohol. Thus, the JP has achieved the original target set for Output Indicator 2.

For Output 3 Indicator a target was set to develop three new policy interventions that contribute towards creating conditions for Timorese in the diaspora to contribute to financing for the SDGs. Against this target, the JP has produced three policy documents: (1) Diaspora Engagement Policy, (2) Remittance Mobilization Strategy, (3) Remittance Mobilization Action Plan. Thus, the JP has achieved the original target set for Output Indicator 3.

For Output 4 Indicator a target was set to work towards three policy framework and institutional capacity development initiatives for catalysing finance toward green and climate-resilient development. The JP has worked towards five of such initiatives which are: (1) producing of a detailed map of institutions for integrating climate financing into sectoral and sub-sectoral development plans. The CPEIR offered a granular analysis right down to the activity level of all relevant wings of the government, (2) establishing baseline for climate public expenditure from domestic and international sources, (3) introducing CBT, (4) developing of innovative financing mechanisms and instruments to finance climate action as part of the SDG Financing Strategy (which contains a dedicated section on Strategies to Finance Climate Action), and (5) supporting GoTL present its climate vulnerabilities and climate finance needs in COP26. Thus, the JP has exceeded the original target set for Output 4 Indicator.

For further details please refer to Annex 1.3.

## **3. Challenges and Changes**

### [3.1. Challenges faced by JP \(max 300 words\)](#)

As the JP's implementation period coincided with the COVID-19 pandemic, the JP implementation plan needed to be adjusted to the pandemic situation. For example, for JP Output 3, there were several delays in conducting pro-health tax advocacy meetings and policy discussions with both MoH and MoF due to their focus on dealing with the pandemic response. Additionally, with lockdowns and international travel restrictions, access to international technical experts for specific interventions was delayed. Home-based assignments for international consultants put additional pressure on local offices of the PUNOs.

The JP's implementation was also disrupted by the Cyclone Seroja and Easter Flood, as between April – May 2021, government counterparts and the PUNOs needed to prioritize the emergency flood response.

In both 2020 and 2021, GoTL explicitly requested no stakeholder consultations in November and December due their busyness with budget preparation. This meant four months of very limited access to government counterparts during the JP's implementation time frame.

Collecting accurate and timely data for analysis was also a persistent challenge faced by all work streams of this JP.

### 3.2. Changes made to JP (if applicable) (max 200 words)

No changes were made to the JP.

## **4. Sustainability and Country Ownership**

### 4.1. Sustainability and country ownership (max 500 words)

Outputs of the JP are highly owned by the GoTL, as the SDG Financing Strategy, Remittance Mobilization Strategy, and pro-health tax reforms have been co-developed with the MoF, and the work on SDG-Aligned Monitoring and Review Framework has been developed in close collaboration with the ANAPMA. The work on pro-health tax reforms is also highly owned by the MoH, and the work on Blue Economy Financing Strategy and Transition Roadmap is highly championed by the MTCI. Further, the GoTL has committed to continue to implement the SDG Financing Strategy by operationalizing the INFF Secretariat. The MoF has already committed \$100,000 to operationalize the INFF Secretariat in 2023.

As part of the stakeholder consultations that was conducted in preparation of this Final Narrative Report, it emerged that the MoF wants to hold a policy dialogue session on the SDG Financing Strategy in January 2023 to engage the youth and CSOs with the INFF initiative. Given the political power these stakeholders exert in the national policy processes, the MoF expects that the dialogue session on SDG Financing Strategy will increase the INFF initiative's political relevance.

The MoF also wants to present the SDG Financing Strategy in the national parliament in January 2023 to secure backing of the parliamentarians, so that the necessary public funds towards implementation of the strategy can be availed.

Future support that the GoTL needs to implement the INFF Roadmap are:

1. Technical support to implement the SDG Financing Strategy (presented as Chapter 3 of the capstone strategy document). Implementing the sectoral and national level financing strategies would require extensive technical assistance. In the short-term alone, technical assistance valuing at around \$2 million dollar is estimated to be needed.
2. Technical support to strengthen the Pillar 1 and Pillar 2 of the INFF Monitoring and Review Framework as recommended in the Chapter 4 of the capstone strategy document. Work has already initiated towards strengthening the Pillar 3 but more engagement for strengthening the Pillar 3 is also needed. [Refer to Figure 4 in Annex 5 to understand composition of the recommended INFF Monitoring and Review Framework composed of the three pillars]. Technical assistance valuing at around \$200,000 is estimated to be required for strengthening the overall INFF Monitoring and Review Framework as recommended in the capstone strategy document.
3. Technical support to increase capacity of the line ministries to implement the CBT. This JP has already supported MoF initiate the process to introduce CBT. CBT related instructions have already been included in budget circular for 2023, and a CBT Roadmap has also been developed. Further technical assistance is needed to increase capacity of the MoF, SSE, and three pilot line ministries to implement the CBT between December 2022 to January 2023. Additionally, for full-scale implementation of the CBT from the following fiscal year covering all relevant line ministries (total 15 line ministries) extensive capacity development will be needed of the MoF, SSE, and all other line ministries between July/July 2023 to January 2024. Technical

assistance valuing at around \$150,000 is estimated to be required for full implementation of the CBT Roadmap.

## 5. Communications

### 5.1 Communication products (max 300 words)

The JP has produced multiple communication products which include – a video on blue economy, press release on the launch of the JP, press release on the launch of the CPEIR, policy brief on pro-health taxes etc. Multiple events were also arranged to raise awareness about the work of the JP (details below). Additionally, to ensure wider reach of findings of the CPEIR, the CPEIR was translated into both Tetum and Portuguese languages. Over 150 copies of the CPEIR have been printed and distributed to stakeholders attending different events organized by the JP. The JP also procured original pictures for the Dili Blue Talks event held together with the Embassy of Portugal in June, 2022. UNDP - as the lead PUNO of the JP - has spent between \$40,000 to \$45,000 on communications activities.

### 5.2 Events

Type of event	Yes	No	Number of events	Brief description and any highlights
JP launch event (mandatory)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1 Preliminary meeting  1 Launch event	<ul style="list-style-type: none"> <li><b>12 February 2021:</b> The Minister of Finance, H.E. Rui Augusto Gomes, met with the UN Timor-Leste RC, Roy Trivedy and the UNDP Resident Representative, Tuya Altangerel to discuss the UN support to the GoTL through the Ministry of Finance in the area of Financing for Sustainable Development, in particular the JP.</li> <li><b>30 March 2021:</b> INFF launched together with Minister of Finance and officials from the MoF; officials from ANAPMA; EU Ambassador; UN RC; UNDP RR; IOM; WHO; and staff from SDG Financing regional training (UNITAR). ANAPMA Coordinator shared Timor-Leste's experience with implementation of the Development Finance Assessment and plans for the INFF.</li> </ul>
Annual donors' event* (mandatory)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2	Held together with partners' event.
Partners' event ** *(optional)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	8	<ul style="list-style-type: none"> <li><b>March 2021:</b> Technical meeting for government stakeholders including MENC, Migration Service, Labor Inspectorate in preparation of the Asia-Pacific Regional Review of Implementation of Global Compact were highlighted as key country achievements towards strengthening implementation of the GCM and Agenda 2030.</li> <li><b>May 2021:</b> A high-level economic policy dialogue was held on "Economic Development of Timor-Leste: Post-oil Economy" as a tripartite dialogue between H.E. Minister of Finance Rui Gomes, UNDP Asia-Pacific Regional Director Ms. Kanni Wignaraja, and renowned Professor of Economics Ha-Joon Chang, Cambridge University, together with the UN RC and UNDP RR. The dialogue raised significant interest from other ministries and government officials on INFF and development financing. The dialogue advocated for the need to continually invest in development by instituting mechanisms for long-term investment beyond short financing cycles.</li> <li><b>January 2022:</b> In the presence of Minister of Finance, Minister of Petroleum, Minister of Health, Minister of Agriculture, Vice-Minister of Foreign Affairs, Vice-Minister</li> </ul>



				<p>of Tourism, Secretary State of Environment, Secretary State of Civil Protection Timor-Leste's first Climate Public Expenditure and Institutional Review (CPEIR) was launched. The report was produced through close collaboration between Ministry of Finance, and UNDP Timor-Leste. For the first time ever, the report introduced a model for conducting climate vulnerability-policy-institutions-expenditure analysis at sectoral level. The recommendations put forth in the CPEIR received strong political backing due to the attendance of some of the senior most policy makers at the launching event.</p> <ul style="list-style-type: none"> <li>• <b>April, 2022:</b> A training and dialogue session was organized for technical staff of the MoF, SSE, and ANAPMA on introduction, design considerations, and implementation plan for CBT.</li> <li>• <b>June, 2022:</b> On the occasion of the World Oceans Day, and in preparation for the 2022 UN Ocean Conference, UNDP Timor-Leste co-hosted a event with the Embassy of Portugal titled 'Dili Blue Talks - Promoting and Strengthening Sustainable Ocean-based Economies: the potential of the Sea in Timor-Leste'. An early version of the Blue Economy Financing Strategy and Transition Roadmap produced by the JP was presented in the event. The event was attended by H.E. Kay Rala Xanana Gusmão, GoTL's Special Representative for the Blue Economy since December 2019.</li> <li>• <b>June, 2022:</b> The Minister of Finance, Rui Gomes, together with the United Nations Resident Coordinator and the Head of the IOM Mission in Timor-Leste, launched the National Diaspora Engagement Policy and Remittance Mobilization Strategy.</li> <li>• <b>October 2022:</b> During Ms. Kanni Wignaraja's mission to Timor-Leste a policy discussion session was organized on "Inclusive Economic Transformation". The event was attended by the Minister of the Council of Ministers, Chief Economist of the Central Bank of Timor-Leste, and Chief of Staff to the Prime Minister. The summary version of the capstone strategy document was launched in this event.</li> <li>• <b>November 2022:</b> A presentation is scheduled for the Vice-Minister of MTCI, along with technical staff of the MTCI, ANAPMA, and SSE on blue economy financing strategy and transition roadmap.</li> </ul>
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## 6. Lessons and Best Practices

### 6.1. Key lessons learned, best practices, and recommendations on SDG financing (max 300 words)

The key success factor of this JP has been its championship by two central institutions of the GoTL, namely the MoF and the ANAPMA. The lesson learnt is to seek early sponsorship of such central government institutions in future programming on SDG Financing.

The follow-up phase should prioritize winning political backing for the Financing Strategy developed as part of this JP. IFIs and other development partners should also be engaged early in the follow-up phase, so that additional resources can be mobilized to implement the SDG Financing Strategy.

*6.2. Key lessons learned and best practices, and recommendations on Joint Programming (max 300 words)*

The JP has demonstrated a successful model for Joint Programming. The key success factor has been tactical design of the program from the get-go to ensure each PUNO works in the area of their specialization with almost no risk of conflict of interests and duplication of efforts. Such design is recommended for future JPs.



## Annex 1: Consolidated results framework

### 1. JP contribution to global programmatic results (full programme duration)

Joint SDG Fund Global Outcome 2: Additional financing leveraged to accelerate SDG achievement (Complete table below)

Indicators	Baseline 2019	Target (end of JP)	Result (end of JP)	Notes
2.1: US\$ & Ratio of financing for integrated multi-sectoral solutions leveraged disaggregated in terms of public and private sector funds	No baseline was set.	No target was determined.	Not possible to calculate.	Results pertaining to Global Outcome 2 will be quantifiable in future as the SDG Financing Strategy produced by the JP continues to be implemented.

Joint SDG Fund Global Output 4: Integrated financing strategies for accelerating SDG progress implemented (Complete table below and provide details as requested)

Indicators	Baseline 2019	Targets (end of JP)	Results (end of JP)	Notes
4.1: #of integrated financing strategies/instruments that were tested	0	1	1	The JP has tested viability of developing non-fed mariculture sector in Timor-Leste by financing a seaweed farming project
4.2: #of integrated financing strategies that have been implemented with partners in lead	0	1	1	The GoTL has implemented pro-health taxes with the support of the JP
4.3: # of functioning partnership frameworks for integrated financing strategies to accelerate SDG progress	0	1	1	The JP has supported the GoTL develop a framework for engaging with Timorese diaspora to accelerate SDG progress

### 2. Selected global operational effectiveness indicators (full programme duration)

2.1. Did your Joint Programme contribute to the improvement of the overall UNCT coherence?

- Yes, considerably contributed  
 Yes, contributed  
 No

Explain briefly: Please refer to the explanation in Section 1.6.

2.2. Did your Joint Programme contribute to avoiding duplication of efforts for the participating UN agencies in interaction with national/regional and local authorities and/or public entities?

- Yes,  
 No  
 N/A (if there are no other joint programmes in the country)  
 Explain briefly: Please refer to the explanation in Section 1.6.

### 3. Results as per JP Results Framework

<b>Result / Indicators</b>	<b>Baseline</b>	<b>Original Target (as per ProDoc)</b>	<b>Revised Target (if applicable)</b>	<b>Result (end of JP)</b>	<b>Reasons for variance from original target (if any)</b>
<b>Outcome 1 Indicator:</b> Percentage increase of public investments mobilized within SDG aligned programs and objectives as a proportion of total domestic budget	2020 National Budget	5%	-	Not possible to calculate	<p>Percentage increase cannot be calculated as except for climate public expenditure, baseline has not been established for the other SDG-aligned public investments.</p> <p>The CPEIR established baseline for climate public expenditures. From 2023, CBT will be used to monitor percentage increases in climate public expenditure compared to the baseline established by CPEIR.</p> <p>For the other SDGs, it will be important to first establish a credible baseline through conducting an SDG budget review, so that percentage increases in the SDG aligned programs can be calculated in future.</p>
<b>Outcome 2 Indicator:</b> Percentage increase of ODA and other investments mobilized for sustainable development objectives and initiatives from private sources	Not determined	Increasing trends	-	Not possible to establish trends	<p>Trends cannot be established as except for climate related ODAs, there is no available baseline for reference regarding ODAs and private investments for other sustainable development objectives.</p> <p>The CPEIR established baseline for climate expenditures financed by ODA. Even though, ODAs are not considered part of the General State Budget in Timor-Leste, the MoF has recently created a new platform for gathering information on annual flow of ODAs, and requested UNDP's support to implement climate markers in that platform. Once the markers are implemented in early 2023, it will be possible to track trends of climate related ODAs.</p>

Result / Indicators	Baseline	Original Target (as per ProDoc)	Revised Target (if applicable)	Result (end of JP)	Reasons for variance from original target (if any)
					<p>For other SDGs, it will be important to first establish a credible baseline through conducting an SDG budget review (including review of the ODAs), so that the percentage increases in ODAs for SDG aligned programs can be calculated in future. The chapter on Monitoring and Evaluation (BB3 of INFF) of the capstone strategy document has also recommended harmonization of program classifications applied to the General State Budget and ODAs (ODAs are currently published separately as Budget Book 5), so that a coherent tracking system for domestic public expenditure and ODA investments on SDGs can be put in place.</p> <p>Currently, there is no system to track private investments on the SDGs. Introduction of a system to track private investments on the SDGs is one of the recommendations of the chapter on Monitoring and Evaluation (BB3 of INFF) of the capstone strategy document.</p>

Result / Indicators	Baseline	Original Target (as per ProDoc)	Revised Target (if applicable)	Result (end of JP)	Reasons for variance from original target (if any)
<b>Output 1.1 Indicator:</b> Number of new INFF policies and initiatives that contribute to the development and implementation of a more holistic and integrated system of financing	None	2	-	3  New INFF policies and initiatives that contribute to the development and implementation of a more holistic and integrated system of financing developed/supported by the JP include: <ol style="list-style-type: none"> <li>1. Development of an SDG Financing Strategy (as BB2 of INFF)</li> <li>2. Development of a SDG-aligned National Monitoring and Oversight Framework (as part of the third pillar of BB3 of INFF)</li> <li>3. Establishment of a INFF Secretariat (as part of the BB4 of INFF)</li> </ol>	Exceeded the original target
<b>Output 1.2 Indicator:</b> Number of priority reforms implemented on pro-health taxation, diaspora engagement, and climate financing	None	2	-	4  Priority reforms implemented on pro-health taxation, diaspora engagement, and climate financing by the JP include: <ol style="list-style-type: none"> <li>1. Introduction of Pro-health Taxes</li> <li>2. Development of Diaspora Engagement Policy</li> <li>3. Development of Remittance Mobilization Strategy</li> <li>4. Introduction of Climate Budget Tagging</li> </ol>	Exceeded the original target

<b>Result / Indicators</b>	<b>Baseline</b>	<b>Original Target (as per ProDoc)</b>	<b>Revised Target (if applicable)</b>	<b>Result (end of JP)</b>	<b>Reasons for variance from original target (if any)</b>
<b>Output 2 Indicator:</b> Redesigned pro-health tax implemented in the tax structure and updated pro-health tax regime established	Existing tax regime	Updated pro-health tax regime	-	Tobacco taxes increased from 19\$/kg to 50\$/kg  Excise tax on alcohol also raised	Achieved the original target
<b>Output 3 Indicator:</b> Number of new policy interventions that have contributed to creating conditions for Timorese in the diaspora to contribute to financing for the SDGs.	None	3	-	3  Three policy documents have been developed: 1. Diaspora Engagement Policy 2. Remittance Mobilization Strategy 3. Remittance Mobilization Action Plan	Achieved the original target
<b>Output 4 Indicator:</b> Policy framework and institutional capacity for catalysing finance toward green and climate-resilient development	None	3	-	5  Work in this front include: 1. Producing of a detailed map of institutions for integrating climate financing into sectoral and sub-sectoral development plans. The CPEIR offered a granular analysis right down to the activity level of all relevant wings of the government 2. Establishing baseline for climate public expenditure from domestic and international sources 3. Introducing CBT 4. Developing innovative financing mechanisms and instruments to finance climate action as part of	Exceeded the original target

Result / Indicators	Baseline	Original Target (as per ProDoc)	Revised Target (if applicable)	Result (end of JP)	Reasons for variance from original target (if any)
				the SDG Financing Strategy (which contains a dedicated section on Strategies to Finance Climate Action) 5. Supporting GoTL present its climate vulnerabilities and climate finance needs in COP26	

## Annex 2: List of strategic documents

### 1. Strategic documents that were produced by the JP

<b>Title of the document</b>	<b>Date (month; year) when finalized</b>	<b>Document type (policy/strategy, assessment, guidance, training material, methodology etc.)</b>	<b>Brief description of the document and the role of the JP in finalizing it</b>
Preliminary Blue Economy Financing Roadmap	September 2021	Scoping study	Review of blue finance situation in Timor-Leste at the beginning of this JP
Tobacco Tax Impact Assessment	November 2021	Technical assessment	Technical analysis of the impact of increasing excise tax on tobacco and alcohol
Timor-Leste INFF Building Blocks 3 & 4 Assessment Notes & Recommendations	December 2021	Assessment note	Review of the existing monitoring and review, and governance framework for INFF at the beginning of this JP
Potential Impact of the 2022 Budget on Tobacco in Timor-Leste	December 2021	Technical assessment	Econometric analysis of the fiscal benefits of pro-health taxation
Climate Public Expenditure and Institutional Review	December 2021	Public expenditure and climate policy review, climate relevant institution mapping	Detailed review of the climate vulnerabilities, policies, institutions, and public expenditure for each of the 16 key sectors prioritized for Timor-Leste's development in the SDP
Impact of Tobacco, Alcohol, and Sugar-Sweetened Beverage Use on Poverty in Timor-Leste	April 2022	Technical assessment	Poverty analysis of the impact of tobacco, alcohol, and sugar-sweetened beverage usage
SDG-Aligned National Monitoring and Oversight Framework	June 2022	Guidance notes	Guidance note for improving SDG tracking system
Remittance Mobilization Strategy for Timor-Leste	June 2022	Strategy paper	Strategies to mobilize remittance for SDGs
Timor-Leste National Diaspora Engagement Policy 2023 – 2027	June 2022	Policy paper	Policy paper on engaging with Timorese diaspora
Timor-Leste National Diaspora Engagement Action Plan 2023 – 2027	June 2022	Action plan	Action plan to implement the Diaspora Engagement Policy
Concept Note for Climate Budget Tagging in Timor-Leste	July 2022	Concept note	Note making the case for introducing CBT
Roadmap for Introducing Climate Budget Tagging in Timor-Leste	July 2022	Roadmap	Roadmap for full-scale implementation of CBT between December 2022 to January 2024.

Technical Guidance on Climate Budget Tagging Related Instructions for 2023 Budget Circular	August 2022	Guidance notes	Methodological instructions for using climate markers
Integrated National Financing Framework for Sustainable Development of Timor-Leste: Summary for the Policy Makers	October 2022	Summary document of the full strategy paper	A 40-page summary for the policy makers of the key findings and recommendations of the capstone strategy document
Integrated National Financing Framework for Sustainable Development of Timor-Leste	November 2022	Strategy paper	The capstone strategy document produced by the JP. This includes the INFF Assessment and Diagnostic (BB1 of INFF), SDG Financing Strategy (BB2 of INFF), recommendations for strengthening the INFF Monitoring and Review Framework (BB3 of INFF), and recommendations for strengthening the INFF Governance and Co-ordination (BB4 of INFF), and the INFF Roadmap.
Portfolio of SDG-Aligned Bankable Projects	November 2022	List of possible projects	Portfolio of SDF-aligned bankable projects
Blue Economy Financing Strategy and Transition Roadmap	November 2022	Strategy paper	Strategies to finance blue economy transition and associated roadmap

[2. Strategic documents to which the JP directly contributed to](#)

<b>Title of the document</b>	<b>Date (month; year) when finalized</b>	<b>Document type (policy/strategy, assessment, guidance, training material, methodology etc.)</b>	<b>Brief description of the document and the role of the JP in finalizing it</b>
Legislation on increasing excise tax on tobacco and alcohol	December 2021	Policy- enacted as a decree law	The JP advocated for and provided the technical assistance for increasing the excise tax on tobacco and alcohol as part of budget approval for 2022.
Budget circular for the 2023 fiscal year	August 2022	Budget circular	The JP assisted MoF include instructions related to CBT in the budget circular for the 2023 fiscal year



## Annex 3. Communications materials

### 1. Human interest story

Salomão Cabral, more commonly addressed as Maun Asala, is a seaweed farmer based in Atauro - a small island 35.6km away from Dili. A father of five, Maun Asala has been farming seaweed since 2008. With almost no formal support prior to the UNDP intervention, his earnings from growing seaweed were already unstable before 2020. Exports were infrequent, and local demand was almost non-existent. In the onset of the COVID-19 pandemic, his business came to a complete halt as whatever little connection he had to export his produce to Vietnam was lost completely. Blessing came in the form of the UNDP intervention, as the project helped him restart his production and export to Indonesia for the first time since he has been farming seaweed. Previously, whereas he used to be able to export his produce only infrequently, because of the UNDP intervention he was able to export twice in a single year. He feels particularly benefitted by the storage facility built by the UNDP, as it enables him to store his produce for a longer time and properly maintain its quality. Earnings were also satisfactory, as the two shipments totalling 100 tons of seaweed earned him enough to comfortably support his family. Local demand for his produce is also increasing, but he complains that local firms still don't have the capacity to process the seaweed to produce something innovative. In future, he hopes, UNDP will come back to his community with some new intervention that will enable them to produce value-added product with seaweed locally and export them at a higher price intentionally. He also wishes that his compatriots in Timor-Leste - who suffer from chronic levels of malnutrition - benefits from the nutrition-rich locally grown seaweed.

### 2. Communication products

<b>Title of the document</b>	<b>Date when finalized (MM/YY)</b>	<b>Brief description (and hyperlink if it exists)</b>
INFF Launching Press Release	March 2021	Press release on launching the INFF <a href="https://en.tatoli.tl/2021/03/30/mf-development-partners-launch-the-inff/09/">https://en.tatoli.tl/2021/03/30/mf-development-partners-launch-the-inff/09/</a>
CPEIR Launching Press Release	January 2022	Press release on the high profile event attended by 8 ministers, vice-ministers, and secretary of states <a href="https://timorleste.un.org/en/171442-launch-timor-lestes-climate-public-expenditure-review-cpeir">https://timorleste.un.org/en/171442-launch-timor-lestes-climate-public-expenditure-review-cpeir</a>
Video on Blue Economy	June 2022	Produced for the Dili Blue Talks event <a href="https://www.facebook.com/UNDPTimorLeste/videos/1435261756896939">https://www.facebook.com/UNDPTimorLeste/videos/1435261756896939</a>
Translated, Printed Copies of CPEIR	June 2022	Distributed in the Dili Blue Talks event
Pictures on Blue Economy	June 2022	Procured for the Dili Blue Talks event <a href="https://www.facebook.com/UNDPTimorLeste/videos/1435261756896939">https://www.facebook.com/UNDPTimorLeste/videos/1435261756896939</a>
Pro-Health Tax Policy Brief	October 2022	This pro-health tax policy brief provides key information on the backgrounds on the idea of identifying unhealthy products that generates revenue and can harm health. It also provides recent tax charges on unhealthy products such as tobacco and alcohol. Cost: Zero cost for developing the pamphlet, printing cost is variable depends on the amount requested for printing.
National Policy for Diaspora Engagement and Strategy for Mobilizing Remittances Press Release	21 <sup>st</sup> June 2022	<a href="http://timor-leste.gov.tl/?p=30704&amp;lang=en&amp;n=1">http://timor-leste.gov.tl/?p=30704&amp;lang=en&amp;n=1</a>

## Annex 4: Stakeholder feedback

No	Name of entity	Name of Representative	Title	Contact information	Role in the programme	Summary of feedback
1	UN RC	Riccardo Mesiano	Head of RC Office	mesiano@un.org	Representative of RC for the stakeholder consultation	Talked about the JP experience from RC's perspective
2	UN RC	Gerson Joel De Assis Alves	Development Coordinator Officer / Economist	gerson.alves@un.org	Coordinator on behalf of RC	Talked about the experience of coordinating and consolidating PUNOs' reporting and submitting to the JP Secretariat
3	UNDP	Firuz Shukurov	Country Economist (Currently deployed in a new duty station)	firuz.shukurov@undp.org	Task leader and UNDP focal point	Provided details about all operational aspects of the JP.
4	UNDP	Ferderick Lopes	Junior INFF Expert	ferderick.lopes@undp.org	Key liaison officer between UNDP and government counterparts	Explained the challenges regarding collecting data and COVID-19 related delays.
5	IOM	Araujo Leonel Casimiro	National Programme Officer	learaujo@iom.int	Liaison Officer	Provided coordination support with Government in the finalizing Diaspora Policy and Action Plan
6	WHO	Miguel Guterres	Health System Strengthening Program Associate	guterresm@who.int	WHO TLS health financing focal point	Talked about the JP experience from WHO's perspective and provided details on next steps of introducing health tax on SSB – sugary sweetened beverages as part of pro-health tax program activity
7	MoF	Elson Martinho da Costa	National Director	edcosta@mof.gov.tl	MoF focal point	Explained MoF's plan about next steps of engaging with youth, CSO, and parliamentarians, and MoF's expectations about future assistance needed.

**Annex 5: Supplementary materials for the discussion on results achieved on Integrated National Financing Framework/SDG financing building blocks**

Likelihood	Consequence Level				
	Insignificant	Minor	Moderate	Major	Catastrophic
<b>Almost Certain / Present Reality</b>	<b>Medium Priority</b>	<b>Medium Priority</b> ▪ Corruption Perception	<b>High Priority</b> ▪ Lack of Marine Spatial Planning ▪ Limited Land Resources ▪ High Cost of Social and Essential Services ▪ High Dependence of Private Sector on Government Projects ▪ Geographic Distance from and High Transportation Costs to Major Markets	<b>Extreme Priority</b> ▪ High Current Account Volatility ▪ Lack of Competitive Advantage ▪ Weak Institutional Capacity ▪ High Cost of Infrastructure ▪ High Dependence on Food Imports ▪ Deficient Human Capital ▪ High Rates Youth Unemployment ▪ High Rates of Age Dependency Ratio ▪ Uncompetitive Wage Rates ▪ High Reliance on Imported Fuel ▪ Undiversified Agricultural Export Basket ▪ IUU Fishing ▪ Loss of Forests	<b>Extreme Priority</b> ▪ Vulnerability to Natural Disasters ▪ High Rates of Poverty ▪ High Rates Food Insecurity ▪ Weak Alliance of Policy Priorities with Budget Allocations ▪ Low Economic Diversification
<b>Likely</b>	<b>Low Priority</b> ▪ Divestment on Expiration of Tax Holiday	<b>Medium Priority</b> ▪ Loss of Access to Concessional Financing	<b>High Priority</b> ▪ Consumer Price Inflation	<b>Extreme Priority</b> ▪ Political Instability	<b>Extreme Priority</b>
<b>Unlikely</b>	<b>Low Priority</b>	<b>Low Priority</b> ▪ Unfavourable Exchange Rate	<b>Medium Priority</b>	<b>High Priority</b>	<b>Extreme Priority</b>
<b>Rare</b>	<b>Very Low Priority</b>	<b>Low Priority</b>	<b>Medium Priority</b>	<b>High Priority</b>	<b>High Priority</b>
<b>Very Rare</b>	<b>Very Low Priority</b>	<b>Very Low Priority</b>	<b>Low Priority</b>	<b>Medium Priority</b>	<b>High Priority</b>
<b>Extremely Rare</b>	<b>Very Low Priority</b>	<b>Very Low Priority</b>	<b>Low Priority</b>	<b>Medium Priority</b>	<b>High Priority</b>

Source: Author's elaboration

**Annex 5, Figure 1: Risk Matrix for Timor-Leste's INFF**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022



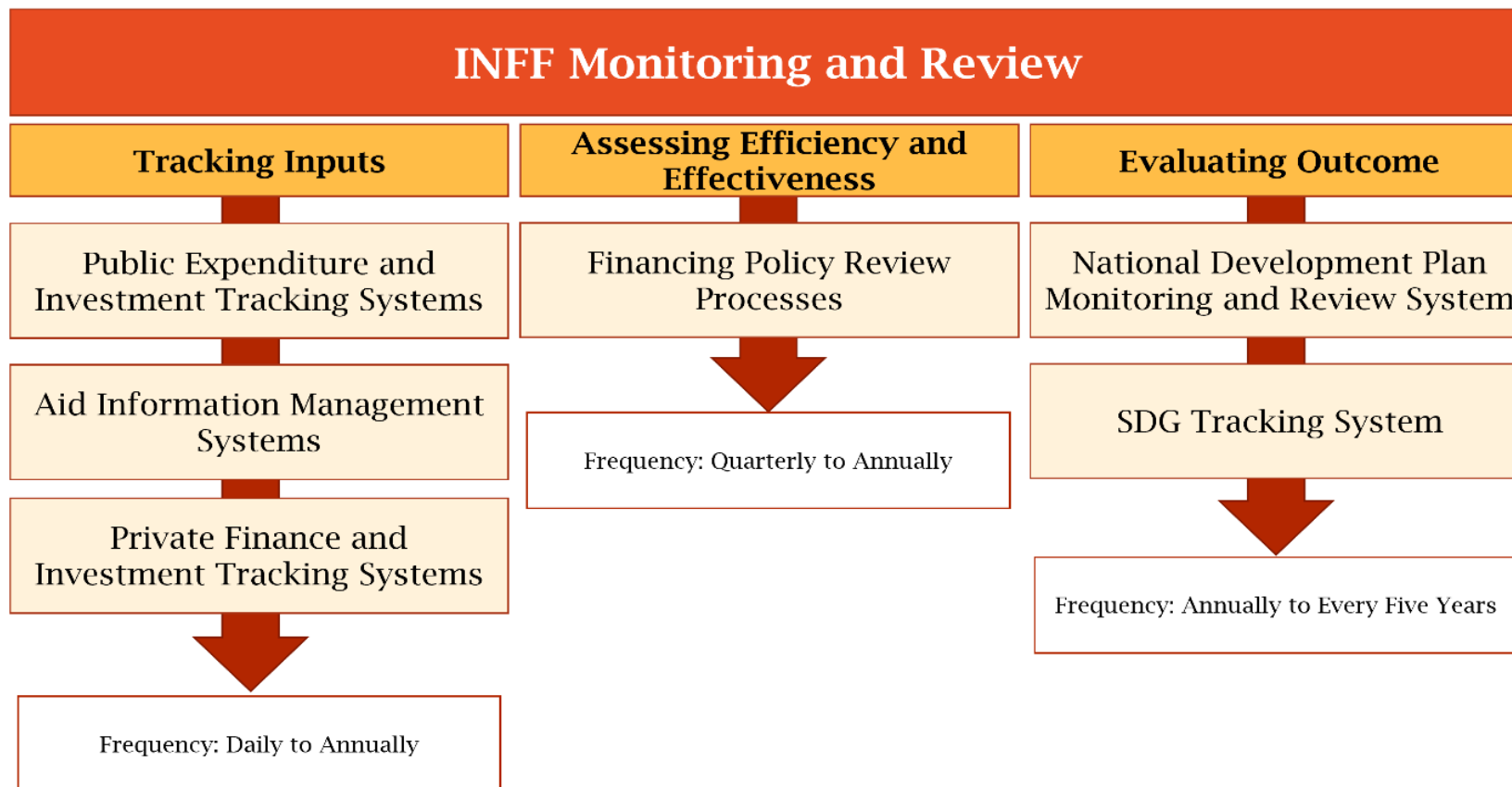
**Annex 5, Figure 2: Ten Priority Areas for Financing Sustainable Development of Timor-Leste**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022

	<i>Public</i>	<i>Private</i>
<i>National</i>	<p><b>Key Challenges:</b></p> <ul style="list-style-type: none"> <li>High levels of inefficiencies of public expenditure</li> <li>Depleting PF</li> <li>Low tax and non-tax revenues of the government</li> </ul> <p><b>Key Recommendations:</b></p> <ul style="list-style-type: none"> <li>Significantly improve efficiency of public expenditure by improving forward planning and monitoring and review systems</li> <li>Make public investment management process more climate responsive and disaster resilient</li> <li>Issue performance-based contracts for provision of key social services</li> <li>Explore use of innovative financing instruments to increase the fiscal space of the government like project bond, resilience bond, parametric insurance, diaspora bond, and social impact bond</li> <li>Free-up fiscal space by scalping up investments on renewable energy to reduced reliance on imported, expensive fossil fuel</li> <li>Use fiscal instruments like excise tax and tariffs to influence pro-health and sustainable consumption practices</li> <li>Establish mariculture based state-owned enterprises</li> <li>Undergo tax policy and administration reforms to address the very large budget financing gap</li> </ul>	<p><b>Key Challenges:</b></p> <ul style="list-style-type: none"> <li>Small domestic market comprised of mostly poor populace making a weak case for domestic private investments</li> <li>Partially complete legal and regulatory framework for doing business</li> <li>Poor access to finance and weak financial intermediation</li> <li>Lack of skills for starting and operating profitable ventures at scale on market principles</li> </ul> <p><b>Key Recommendations:</b></p> <ul style="list-style-type: none"> <li>De-risk financing provided to domestic MSMEs by providing guarantees</li> <li>Make microfinance and microinsurance products available and accessible to poorer segments of populace</li> <li>Transfer skills and ensure sustainable use of microfinance at grassroots levels</li> <li>Provide remittance-linked insurance to build financial resilience at household level</li> <li>Develop local supply and value chains</li> <li>Eliminate the binding constraints surrounding legal and regulatory framework for doing business - specially address the challenges involving land laws, enforcing contracts, and reorganizing or winding up businesses. This recommendation is equally, if not more, relevant for mobilizing finance from international private sector as well</li> </ul>
	<i>Public</i>	<i>Private</i>
<i>International</i>	<p><b>Key Challenges:</b></p> <ul style="list-style-type: none"> <li>Declining volume of grants mobilized</li> </ul> <p><b>Key Recommendations:</b></p> <ul style="list-style-type: none"> <li>Seek to mobilize international public finance for establishing specific purpose funds</li> <li>Align the support of development partners with nationally owned development priorities</li> </ul>	<p><b>Key Challenges:</b></p> <ul style="list-style-type: none"> <li>Partially complete legal and regulatory framework for doing business</li> <li>Wage-cost disadvantage making a weak case for efficiency-seeking FDIs</li> <li>Small domestic market comprised of mostly poor populace making a weak case for market-seeking FDIs</li> </ul> <p><b>Key Recommendations:</b></p> <ul style="list-style-type: none"> <li>De-risk international private investments by blending them with national public investments</li> <li>Strategically develop market conditions to attract foreign direct investments</li> <li>Explore use of innovative financing instruments to mobilize funding from international private sector like conservation impact bonds, blue carbon credits, plastic credits, nature-based carbon credits</li> <li>Target impact investments from foreign investors</li> <li>Connect to international supply and value chains</li> </ul>

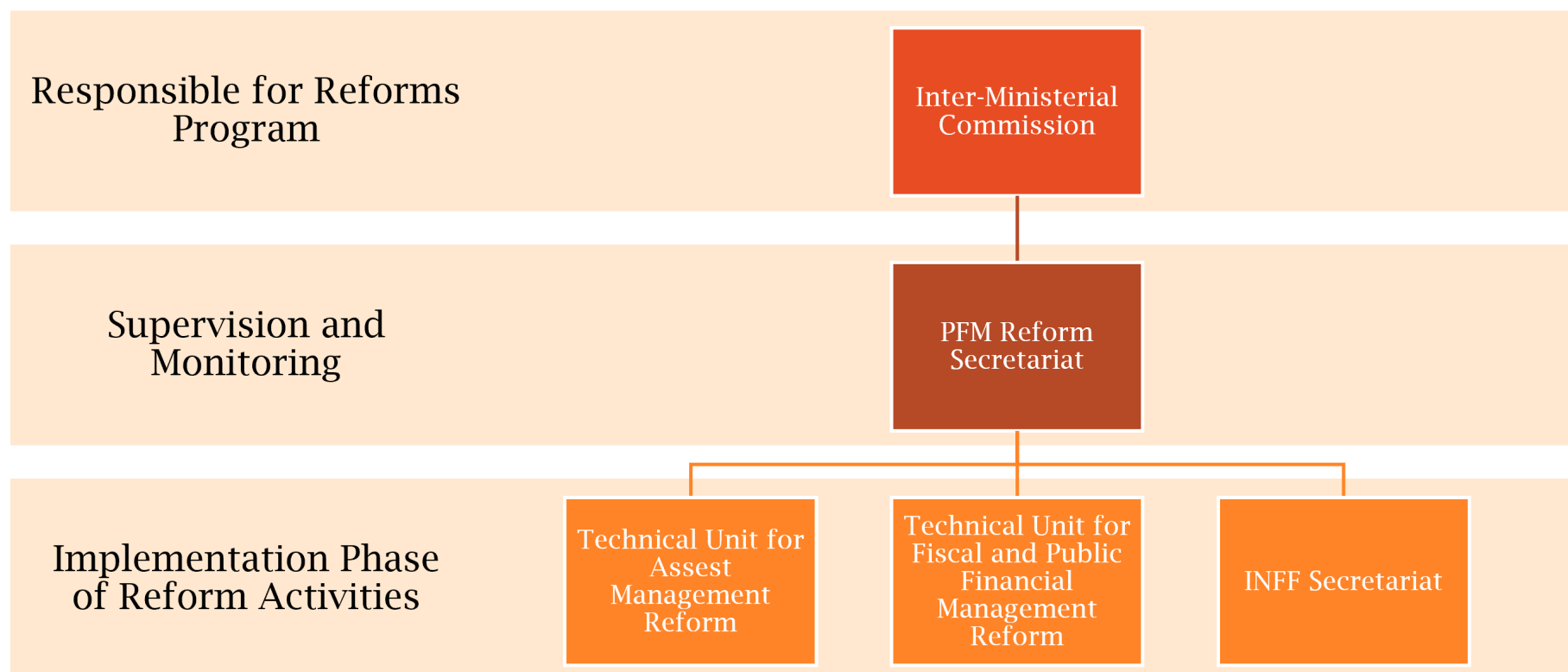
**Annex 5, Figure 3: National Level Financing Strategies**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022



**Annex 5, Figure 4: Monitoring and Review Framework for Timor-Leste's INFF**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022



**Annex 5, Figure 5: Governance Arrangement for Timor-Leste's INFF**

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste, 2022



## Annex 6: Relevance of the ten priority areas focused on in the SDG Financing Strategy for creating decent work opportunities in Timor-Leste

Priority Sector	Supply Side Relevance	Demand Side Relevance	Explanation
<b>Blue Economy Diversification and Blue Finance</b>	High	High	<p><b>Demand side relevance:</b> Blue economy diversification holds the key for creating job opportunities in multitudes of blue economy sectors like fisheries and mariculture, value-added processing of maricultural products, plastic waste management, and coastal tourism.</p> <p><b>Supply side relevance:</b> The fisheries and maricultural outputs from blue economy diversification can address the nutritional challenges to nurture a healthy workforce for the nation.</p>
<b>Climate Finance</b>	High	High	<p><b>Demand side relevance:</b> Investments on climate mitigation can create green job opportunities in renewable energy, solar-powered electrical rickshaw, and clean cooking sectors.</p> <p><b>Supply side relevance:</b> As has been discussed in detail in Timor-Leste's CPEIR, the country needs to invest in adapting the health and education sectors to the impacts of climate change.</p>
<b>Disaster Risk Financing</b>	High	High	<p><b>Demand side relevance:</b> To mobilize private investment, it is important to manage impression of the nation as a low-risk investment destination. Towards that end, as a highly climate vulnerable country, Timor-Leste needs to invest in disaster risk mitigation of its key infrastructural resources.</p> <p><b>Supply side relevance:</b> As the recent experiences of Covid-19 and Cyclone Seroja have shown, disasters can significantly undo gains in human capital formation. Appropriate financing arrangements, thus, must be put in place to protect the human and social capital from impacts of disaster events.</p>
<b>Diaspora Finance</b>	Moderate	High	<p><b>Demand side relevance:</b> Timor-Leste does not have an economy that is big enough to generate employment for the 30,000 youths joining workforce on a yearly basis. Export of labour services, thus, should be a core part of the strategy to address demand side challenges of the jobs market.</p> <p><b>Supply side relevance:</b> The remittances sent home by the migrated workers finance SDGs at household level, and are used to fund education, training, and nutrition of relatives and children who will join the labour force next.</p>
<b>Sustainable Forestry Investments</b>	Low	High	<p><b>Demand side relevance:</b> Commercial Production of export oriented non-timber forest products (NTFPs) through community-based forestry can create significant number of employments.</p>
<b>Investments on Skills and Education</b>	High	Low	<p><b>Supply side relevance:</b> Investments on skills and education is a core condition for addressing the supply side related challenges surrounding jobs market.</p>
<b>WASH Finance</b>	High	Moderate	<p><b>Demand side relevance:</b> Investments on the WASH sector, specially in the rural regions, can create some job opportunities along the WASH value chain.</p>

Priority Sector	Supply Side Relevance	Demand Side Relevance	Explanation
			<b>Supply side relevance:</b> Investments on WASH sector is critically important for increasing supply of healthy workers who are less prone to fall sick and are able to take on productive employments.
<b>Investments on Food Security</b>	High	High	<p><b>Demand side relevance:</b> Tremendous opportunities of creating additional employment lie along the food systems value chain consisting of production, storage, processing, distribution, and consumption phases.</p> <p><b>Supply side relevance:</b> Investments on food security is a key condition for supplying healthy human capital with adequate levels of cognitive prowess.</p>
<b>Pro-health Finance</b>	High	Low	<b>Supply side relevance:</b> Pro-health finance is a fundamental requirement for increasing supply of healthy workers to take on productive employments.
<b>Investments on Social Protection</b>	High	Low	<b>Supply side relevance:</b> Strategically designed active labour marker programs can significantly enhance supply of skilled labour for the domestic and international markets.

Source: Integrated National Financing Framework for Sustainable Development of Timor-Leste: Summary for the Policy Makers 2022