



Joint Programme 2021 Annual Progress Report

SDG Financing Portfolio - Component 1

Cover page

UNCT/MCO: Timor-Leste

Reporting Period: 1 January - 31 December 2021

JP title: Integrated National Financing Framework and Financial Diversification in Timor-Leste

PUNOs: UNDP, WHO, IOM

Government partner: Office of Prime Minister

Target SDGs: SDGs 17, 3, 10, 13

Gender Marker: 2

Approved budget: USD 1,000,000

Co-funding: USD NA

Total Disbursement by 2021: USD 1,000,000

Total estimated expenditures: USD 319,169 (est. Delivery rate: 31.9%)

Total estimated commitments (including expenditures): USD 551,311 (est. Committed rate: 55.1%)

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Executive Summary

To support the Government of Timor-Leste to explore 'new' ways in which the country can sustainably leverage additional financing to support the achievement of the SDGs and its Strategic Development Plan (2021-2030) goals. In 2021, the JP focused on opportunities for blue economy development and the possibilities for introducing taxation on tobacco products as key drivers of economic growth and diversification. Key milestones of the JP include:

Government ownership for INFF • The Integrated National Financing Framework (INFF) virtual launching with participation of the Minister of Finance (MOF), the UN RC, UNDP RR and the EU Ambassador. This re-affirmed that this is a government-led response focusing on financing national sustainable development priorities as laid out in the National Strategic Development Plan (SDP) 2011-2030 and the 2030 Agenda. The INFF Secretariat is embedded in the MOF with strong engagement from the key line ministries and Prime Minister's Office.

Government law passed ProHealth Tax (Health taxes) • In December 2021, the Prime Minister stated in Parliament that the Government intends to increase excise tax on tobacco in the 2022 national budget from USD 19 to USD 25

USD/kg. This was a direct result of the advocacy efforts, and policy brief, Tobacco Tax Impact Assessment, developed by MOF and Ministry of Health. Raw data from the household expenditure survey was collected to analyze the impact of tobacco and alcohol on household expenditure and poverty.

Climate and diaspora financing engagements The Blue Economy Report, drafted together with the Government, explores new financing potential to diversify economy by sustainable usage of ocean resources. The analysis will be converted into the Government's Blue Economy Roadmap, as well as be input to the INFF Roadmap, to mobilize blue financing opportunities.

- The first Timor-Leste Climate Public Expenditure and Institutional Review (CPEIR) was prepared, and its analysis and recommendations informed the Timor-Leste delegation's preparation for the COP 26 and to advocate for increased climate financing for the SIDS. The CPEIR was launched in January 2022 and provides a baseline for tracking of climate public expenditure in future, as well as enabling the Government to set targets and indicators as a part of the annual planning.
- The National Diaspora Engagement Policy and National Diaspora Engagement Action Plan: Project Plan was prepared to inform key focal points within the Government on the provisional delivery framework for the project to deliver a National Diaspora Engagement Policy and National Engagement Action Plan.

Annual Progress

Overall JP self-assessment of 2021 progress:

On track (expected results achieved)

Comments on self-assessment: The JP demonstrates strong progress toward achieving Output 1 (INFF/SDG Financing Framework) and Output 4 (Climate Finance) with 97 percent financial delivery.

Key activities include: • New INFF policies and initiatives that contribute to the development and implementation of a more holistic and integrated systems of financing was initiated and finalized in 2021. • The Ministry of Finance has led meetings, financing policy dialogues and roundtables with key policy makers and private sector stakeholder to accelerate and diversify development financing that resulted in the development of the Blue Economy Financing Report.

The overall program implementation of JP Output 3 is progressing as expected (though with expected delays due to the focus of the Ministry of Health on the pandemic response and April floods response).

Overall progress and key developments to date (3 key JP milestones)

1. Governance and Coordination • Discussions are being held in the Ministry of Finance on specific reforms, actions and policies that should be integrated into the INFF Roadmap and SDG Financing Framework. The first financing dialogue (in virtual format) was held on 30 March 2021 with the participation of the Minister of Finance, the UN RC and the EU Ambassador, and UNDP RR. • A high-level policy dialogue (with participation of Professor Ha-Joon Chang and Kanni Wignaraja, Director of the UNDP RBAP, Minister of Finance, UN RC and UNDP RR) was organized on 28 May, to discuss INFF as a tool to unleash a full range of financial sources and options (public, private, domestic, and international). This aimed to enable the country to develop a strategy to mobilize and increase additional resources, manage risks, and achieve national development priorities as laid out in the Strategic Development Plan (SDP) and the SDGs. • The National Diaspora Engagement Policy (NDEP) and National Diaspora Engagement Action Plan, Timor-Leste: Project Plan Document (NDEAP) has been prepared to inform key focal points within the Government to assist in developing a National Diaspora Engagement Policy and National Diaspora Engagement Action Plan. • The Government has made commitments in the Parliament during the 2022 National Budget discussion to increase excise tax: In this context, the policy brief on increasing tax for tobacco has been finalized, and this will be shared with the Ministry of Finance through the INFF Secretariat to discuss the next steps. • To increase advocacy for pro-health taxes with parliamentarians, active discussions were undertaken with Inter-Parliamentary Union (IPU), with support from WHO HQ, regional office and country office.

2. Strengthening capacity building • An introduction to the blue economy, potential financing and climate budget tagging was presented through a workshop with MoF heads of departments and senior technical staff in August 2021. Increasing capacity to tap into the blue economy will enable the Ministry of Finance, MCAE, and UPMA to provide more informed contributions to the INFF Roadmap and SDG Financing Framework. • Ahead of the COP26 Climate Summit, the JP supported the COP26 Timor-Leste Delegation by sharing knowledge and research on climate financing and strengthening advocacy for climate financing in the SIDS.
3. Research and assessments • To address needs for diversification in financing for the SDGs, the JP is exploring new ways in which Timor-Leste can sustainably leverage additional financing in support of blue economy development. The Blue Economy Report has been drafted and is under discussion to convert it to the government policy document. • The draft of the Timor-Leste Climate Public Expenditure and Institutional Review (CPEIR) has been completed. It analyzes the extent to which climate expenditures are integrated in the national public financial management (PFM) processes. The validation workshop is planned for the second part of January 2022. • Finalized Inception Report: The development of the NDEP and NDEAP has been completed. The inception report outlines the organizational and operational framework for the delivery of the stated project deliverables to achieve the production of the Timor-Leste NDEP, NDEAP, and Remittance Mobilization Strategy. In the longer term, the inception report provides the framework and tools to design and deliver a robust, evidence-based system of diaspora engagement for the development of Timor-Leste based on policy and realistic action. • The Diaspora Profiling and Mapping Survey information sheet has been developed. The informational note is to inform diaspora stakeholders on the key approaches and outputs of the policy process. The outreach to the diaspora is initiated with this information sheet and it will continue through until March 2022.

Changes made to JP:

Main Challenges: Not applicable, JP was not changed.

Updates on SDG financing framework

Inception phase	Assessment Diagnostics	Financing Strategy	Monitoring Review	Governance Coordination
N/A	Completed (100%)	Emerging (1-49%)	Advancing (50-99%)	Advancing (50-99%)

Descriptions on progress by INFF building blocks

Inception Phase: N/A

Assessment & Diagnostics: •Output 1 (INFF Roadmap/ SDG Financing Framework): Blue Economy Financing potential has been assessed and recommendations to transform the findings into the government policy document and INFF roadmap are developed (50-99%). •Draft of the Assessment of Building Blogs 3 (Monitoring) and 4 (Governance) has been prepared for further discussion and clarification (50%).

•Output 4 (Climate Finance): Climate Change Public Expenditure Review is finalized (100%).

Financing Strategy: The INFF Roadmap discussion has started. The objective of the INFF Roadmap will be to build the SDG Financing Framework within existing public finance structure through improving program-budgeting and SDG budgeting. [UPMA, MOF to improve sectoral programs and indicators, to ensure that indicators are aligned with SDGs/SDP].

Blue Economy Financing Report will be used to develop a Blue Economy Policy, led by MTCI.

Monitoring & Review: A climate budget tagging (CBT) assessment is on-going, which covers the entire national budget. The CBT mechanism will allow the national Government to track financial flows toward climate/environmental SDG targets.

Quarterly budget monitoring reporting system under the UPMA [Planning, Monitoring and Evaluation Unit] under the Prime Minister's Office is being reviewed by the JP. Results-oriented quarterly and annual reporting of government programs will be reviewed with strong focus on SDG reporting. Four programs are currently discussed as pilot to start with: Agriculture, Health, Education and Training, Investment and Economic Diversification. These are areas with great need for SDG financing, and it is expected that the focus on these sectors will lead to better linkages of financing with performance toward achieving SDP and SDG goals.

Expected results are better linkages of financing with performance toward achieving SDP and SDG goals.

Governance & Coordination: INFF Secretariat Diploma is waiting for legal clearance before it will be signed by the Minister of Finance.

Priority Cross-cutting Issues

How did the JP adapt to the COVID-19 context

As COVID-19 continues to persist and evolve, the JP implementation has had to adjust to the pandemic situation. With lockdowns and international travel restrictions, access to international technical expertise for specific interventions remained limited. Home-based assignments for international assignments put additional pressure on local offices of PUNOs.

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 United Nations Sustainable Development Cooperation Framework (UNSDCF) 2021-2025. The INFF contributes to the UNSDCF Outcome 2: sustainable economic opportunities and decent work for all

How did the JP apply the Gender Marker

The implementation of the INFF aims to have a positive impact in mobilizing additional financing for SDGs investments overall, including SDG 5 on Gender Equality. Overall, the Gender Marker's total average scoring is 2.

Diaspora financing (output 3) focuses on the development of a gender-sensitive national diaspora policy and action plan. The diaspora policy action plan will be gender-sensitive, as it will embed an assessment relating women in the diaspora and ensure gendered engagement. Climate financing (output 4) analysis highlights those women and child that are the most vulnerable to climate impacts. The work on health financing (output 2) focuses on enhancing domestic resources to financing health investments.

Estimated % of overall disbursed funds spend on gender: 20%

Alignment with cross-cutting UN issues (e.g. human rights, decent work, inclusion, LNOB)

In alignment with the principle of Leaving No One Behind, the JP will positively impact marginalized and/or vulnerable groups, in particular women and girls. Gender equality is also mainstreamed throughout the JP, in terms of the impact of the INFF overall, the health financing and climate financing. The work on pro-health taxes would help address the impact of tobacco and alcohol consumptions on intra-household inequality, gender-based violence, and right to health. The JP's pro-health taxation supports health as a human right, promoting "... the highest attainable standard of health as a fundamental right of every human being." The WHO Constitution (1946).

How did the JP work to build ownership and buy-in of key stakeholders

The Ministry of Finance and UPMA (PM's Office) are the primary implementing partners on the JP leading all findings, reports and policies, government instructions, such as Blue Economy Financing Report, CCPIER, CBT, SDG program budgeting. The important strategic partners of the JP include Ministry of Tourism Commerce and Industry (MTCI), Infrastructure Fund, Ministry for Coordination of Economic Affairs (MCAE), Ministry of Health, Ministry of Foreign Affairs (MNEC), Trade Invest Timor-Leste.

Annual Reporting on Results

Results achieved in promoting the priority thematic SDG agendas

- SDG Target 17.3 Mobilize additional financial resources for Timor-Leste from multiple sources. (UNSDCF Sub-outcome 5.2)
- SDG Target 13.b: Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities
- SDG Target 10.7 Facilitate orderly safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies
- SDG Target 3.8.2 Reduction in proportion of population with large household expenditure on health as a share of total household expenditure or income

JP contributions to the Joint SDG Fund's global results (especially around Outcome 2 & Output 4)

Joint SDG Fund Outcome 2: Additional Financing leveraged to accelerate SDG achievement The JP is has been laying the foundation to increase the ratio of financing for integrated multi-sectoral solutions leveraged in terms of scope and scale (Joint SDG Fund global outcome indicators 2.1 and 2.2).

The INFF Roadmap/SDG Financing Framework is essential to improve efficiency of public expenditures and diversify financing towards the SDG targets.

In terms of increasing health financing, the JP with the leadership of MoF and MoH, has successfully resulted in government has increased excise rate on tobacco under the Decree Law No. 8/2008 on Taxes and Duties Act. The increase from USD 0.6/pack to USD 1.8/pack will generate an extra USD 18 million in total tax revenues per year. The smoking rate will reduce from 29.1% to 27.2%, resulting in some 11,000 fewer adult smokers.

The JP has accelerated Timor-Leste's is laying the ground to tap into climate financing, particularly through the development of the Blue Economy Strategy. Additionally, the gender responsive and systematic reform that has been initiated will tap into the diaspora for financing towards sustainable development.

Joint SDG Fund Output 4: Integrated financing strategies for accelerating SDG progress implemented The INFF Roadmap is under development and will soon be finalized. The JP fund target is that there will be 1 integrated financing strategy, defined as the INFF Roadmap.

Progress against JP-specific outcomes

The JP is paving the way to achieve the specific outcomes. It is too early to see the impact of the policies currently being developed within JP to increase of public investments and ODA on SDG aligned programs.

The following policy work is in progress: • Blue Economy Strategy based on the above-mentioned report. • INFF Roadmap/SDG Financing Framework to improve efficiency of public expenditures to achieve SDG targets.

- WHO health financing team has been continuously engaged with MoF and MoH to advocate the ProHealth tax dialogue with relevant stakeholders.
- Gender responsive and systematic reform to engage diaspora for financing towards sustainable development initiated.

Progress against JP-specific outputs

Output 1 (INFF Roadmap/ SDG Financing Framework): Blue Economy Financing potential has been assessed and recommendations to transform the findings into the government policy document and INFF roadmap have been developed through several financing dialogues with Government partners and civil society. The JP advances towards new policies to build an SDG Financing Framework. This will include the development of blue economy documents, program budgeting with SDG targets, economic diversification policies and policies related to Least Developed Countries (LDC) graduation.

Output 2: The JP developed a policy brief situation analysis of tobacco, alcohol products in Timor-Leste, as well as a policy brief describing the various options on increasing the taxation on tobacco products.

Output 3: Gender responsive and systematic reform to engage diaspora for financing towards sustainable development initiated. Key achievements include: 1) The inception report which outlines the organizational and operational framework for the delivery of the stated project deliverables to achieve the production of NDEP, NDEAP, and Remittance Mobilization Strategy; 2) The desk review of existing literature for Diaspora Profiling and Mapping Survey which will contribute to the inaugural NDEP and NDEAP; and 3) Diaspora Profiling and Mapping Survey information sheet as well as interview guide to outreach the diaspora.

Output 4 (Climate Finance): The first draft of the Timor-Leste CPEIR has been completed. This is a methodological examination of national climate change policies, institutions, and public expenditures. It analyzes the extent to which climate expenditure is integrated in the national PFM processes. The COP26 Delegation of Timor-Leste used the CPEIR results to strongly advocate for more financial investment in SIDS.

JP contributions to strengthening UN coherence, partnerships and reducing duplications of efforts

The Joint SDG Fund 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 knowledge from the PUNO agencies. The JP allowed the UN to accelerate the diversification of financing towards the SDGs, in these three strategic development areas: pro-health tax and gender responsive and diaspora engagement.

Strategic Partnerships, Documents and Communications

How did the JP facilitate collaboration with diverse stakeholders in the SDG financing space

The JP contributed to the wider development partners' integrated support to the national PFM process, bringing together support from the EU, Australia, World Bank, Asian Development Bank and the UN.

Did the JP secured additional financing (co-funding/co-financing) from the following stakeholders:

Government	Donors & IFIs	Private Sector	PUNOs	Other Partners
No	No	No	No	No

Comments on additional financing secured: The JP contributed to the wider development partners’ integrated support to the national PFM process, bringing together support from the EU, Australia, World Bank, Asian Development Bank and the UN.

JP organized events in 2021

JP Launch Event	Annual Donor Event	Partners Event
Yes in 2021	No	Organized in 2020

Number of strategic documents produced by the JP: 5

Number of strategic documents contributed by the JP: 2

Number of communication materials produced: 1

2022 Plans & Way Forward

JP priority activities & expected results for 2022

Output 1 (INFF/SDG Financing Framework)

- Development of INFF/SDG Financing Roadmap (SDG Budgeting documents); • Blue Economy Strategy with active promotion of investments in priority blue industries
- SDG focused National Monitoring and Evaluation Framework • INFF Secretariat

Output 2: For pro-health taxes: • Policy dialogue on the modelling estimates produced for increasing tobacco taxes • Endorsement of the draft policy brief on pro-health taxes for tobacco, alcohol and sugary beverages • Advocacy and awareness raising among key stakeholders, including parliamentarians

Output 3 (Diaspora Financing) • Finalize development of Gender-inclusive Diaspora Policy and National Action Plan. • Conduct Diaspora profiling and mapping survey, reach out to diaspora members and conduct interviews physically/telephonically for their view and expectations. • Develop Diaspora Engagement and Remittances Mobilization Strategy. • Roll-out the diaspora engagement scheme. • Develop Financing Dashboard for the SDGs. • Conduct seminars on Diaspora Financing for the SDGs

Output 4 (Climate Finance) • blueprinting of scalable sectoral climate financing mechanisms to channel investments into sectoral development plans to achieve SDGs targets (related to climate, biodiversity and forests); • bankable programs to support TL climate-resilient development pathways; • testing and taking innovative climate financing mechanisms and instruments to scale; • consultations to conceptualize feasible investment models, mapping of potential donors and establishing the framework to support climate-resilient development pathways.

3 major transformative results that will be achieved by the end of the JP

- Result 1: Government owned Blue Economy Strategy with focus on the economic diversification opportunities presented by the blue economy and opportunities to leverage finance for “blue growth” in Timor-Leste. • Result 2: SDG based Program Budgeting: Strengthening SDG budget expenditure monitoring and reporting systems. Since program budgeting framework is adopted by GoTL, line ministries will be taught to improve their SDG performance monitoring and reporting systems. This action will increase effectiveness of strategic allocations of Medium-Term Budget/Expenditure Frameworks via informed budget decisions on which specific SDG areas. • Result 3: Climate Budget Tagging: Tracking government budget allocations and actual expenditures against the Climate Change. Result 4: Pro-health policy brief endorsed by MoH (and MoF)

Estimated rate of completion for each result as of 31 Dec 2021

Result.1	Result.2	Result.3
Emerging (1-49%)	Advancing (50-99%)	Emerging (1-49%)