

Background Paper for the Timor-Leste and Development Partners Meeting



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EXECUTIVE SUMMARY

Timor-Leste has made remarkable achievements in building the State and preserving petroleum wealth.

Timor-Leste has taken impressive strides in building the foundations of the State and implementing the National Development Plan. In the nearly four years since the restoration of independence in 2002, the country and its leadership have been successful in maintaining peace and stability, and it will be important for this to remain a primary objective as national elections draw closer. Almost all of the institutions called for in the Constitution have been established. Most noteworthy was the promulgation in 2005 of a legal and institutional framework for petroleum revenue management, including a Petroleum Fund designed to safeguard public resources for the benefit of both current and future generations. Quarterly reports on the Petroleum Fund are a significant contribution to transparency. Core planning and financial management functions are in place and more effective and transparent than in many other low income countries. The Office of the *Provedor dos Direitos Humanos e da Justiça* has opened its doors to the public, following an information campaign and high-quality staff training. The recent approval of the Veterans Law is a milestone in Timor-Leste's exemplary efforts to recognize veterans of the resistance. The Government's first *suco* elections were completed, and several women were voted in as local leaders. Critical steps have been taken to ensure the functioning of the justice system while national court actors are being trained.

The country is progressing gradually toward the Millennium Development Goals...

Good progress is being made toward the achievement of some Millennium Development Goals. Access to education has grown, especially for poor children and girls, and adult literacy is rising. Voluntary school contributions were abolished. Health indicators have improved steadily, with greater immunization coverage and utilization of health services. In 2003, infant and under-five mortality rates were 60 and 83 per 1,000 live births, respectively, after a significant decline of 50 percent over the previous 15 years. Access to safe drinking water and reliable power services is beginning to improve, with electricity available around the clock in Dili and every evening in district centers. Following this solid progress in restoring services, further focus on the districts is critical to ensure equitable and balanced growth and poverty reduction.

Table 1: Progress toward Selected MDGs

MDG	Indicator	2001	2002	2003	2004	2005
2	Net primary enrollment, %	75		75	77	78
2	Adult literacy, %	48			56	
4	Measles immunization coverage, % of children under 1 year	23	35	48	49	50
5	Births attended by skilled personnel, %	20	29	33	39	
7	Access to an improved water source, %	50		53		

Source: TLSS 2001; DHS 2003; National Census 2004; Ministry of Education; Ministry of Health; World Bank staff estimates.

...but income poverty and unemployment are growing with the slowdown in domestic demand and high population growth rates.

Despite this important progress, income poverty is most likely increasing. Though total Gross National Income (GNI) has grown considerably with the onset of petroleum production, non-petroleum Gross Domestic Product (GDP) declined in 2002 and 2003 following the exodus of United Nations advisers and the ensuing stagnation in

domestic demand. Though non-petroleum GDP has recovered modestly in 2005, the population is growing faster than almost anywhere in the world at well over 3 percent per year, leading GDP per capita to drop from USD 450 in 2001 to an estimated USD 364 in 2005. Timor-Leste thus remains among the world's poorest countries. Unemployment has increased to 8.5 percent nationwide and 23 percent in urban areas (Dili and Baucau) in 2004, up from 6.2 percent and 21 percent, respectively, in 2001. The unemployment rate among urban youth is 40 percent, and the cohorts of young people are growing rapidly. Unemployment rates are highest in Dili, at 27 percent overall and 44 percent among youth.

If spent well, Timor-Leste has the resources to combat poverty.

Effective implementation of the capital development budget could create over 10,000 jobs to relieve unemployment and poverty in the short term.

Important measures are needed to encourage private sector development for long-term reductions in poverty and unemployment.

Timor-Leste enjoys the unique advantage of a rapidly growing budget to employ in combating poverty, while fully respecting its savings policy. Taking advantage of a growing level of sustainable income from petroleum revenues, the Government's budget grew dramatically from USD 79 million in FY05 to USD 130 million in FY06, and is set to grow to USD 218 million next year. About USD 79 million of this amount is slated for capital development. If fully implemented, the capital development budget could easily create over 10,000 short-term private sector construction jobs, making a considerable dent in poverty and unemployment around the country. To reach this goal, significant improvements would be needed in the execution of capital development spending, particularly in the area of procurement, accompanied by training for the private sector in the implementation and supervision of large construction projects. The Government is piloting targeted poverty reduction initiatives to increase income and food security among poor people, including local development grants to districts and sub-districts, block grants to schools, school feeding, and scholarships. Careful monitoring of results will help to swiftly scale up to a national level, and the ongoing second edition of the Timor-Leste Survey of Living Standards will offer a basis for improved targeting of interventions.

Long-term poverty reduction and job creation will depend on vigorous action to enable private enterprise. The promulgation of the Investment Law and the launch of the *Instituto de Apoio do Desenvolvimento Empresarial* and TradeInvest Timor-Leste are important steps. However, significant action is needed to free up cumbersome business registration processes, secure property rights, streamline customs procedures, reduce transportation and energy costs, and strengthen recourse to the justice system. A focus on improving roads and reducing the cost of power and telecommunications services is critical to enabling businesses and agricultural markets to flourish. Training in entrepreneurship, management, and marketable skills will be important, as will building market chains for value-added and niche products. The urgent need for employment creation in Timor-Leste, combined with the dampening effect of high wages on labor competitiveness, urges a cautious approach to the determination of a minimum wage. Given the country's revenue position, a drastic simplification of the tax regime could be considered to encourage business development. Financial sector activity continues to expand rapidly, but there are concerns about the declining quality of the lending portfolio.

In the year ahead, the governance agenda will include further measures to strengthen the checks and balances set out in the Constitution.

The Government is working to lay the foundations for successful national elections in 2007.

Sustainable capacity building efforts are needed on several fronts.

As the country heads toward national elections in 2007, important items remain on the governance agenda. Arrangements for independent external audit have yet to be established. The Government has referred five cases of alleged criminal wrongdoing to the Prosecutor General and recommended eight to the Prime Minister for referral. Only one case has proceeded to trial, which may create a perception of impunity. A large backlog remains in the justice system, and more staff and funds are needed at the local level to improve access to justice in the districts. Greater institutional clarity will be essential to ensure professionalism and effectiveness in the police and defense forces. There is a need to send more information out to the districts in a language that people understand, using accessible formats such as radio and television. Representatives of civil society and the media – one of the main pillars of good governance – have expressed concern over the possible criminalization of defamation, which they feel may have a silencing effect on them. Following successful local elections in 2005, Timor-Leste is now gearing up for Parliamentary and Presidential elections in 2007. Broadly consultative policy discussions and technical advice will be needed to inform the drafting of an electoral law, and ensuring the independence of electoral institutions will be important to assure the credibility and legitimacy of the election process.

Meeting the challenges that lie ahead will require continued institutional capacity building on various fronts. To take full advantage of the rapidly growing budget and its potential for poverty reduction, capacity building in planning and financial management will be necessary, with a particular focus on freeing up bottlenecks in budget execution. In the justice sector, long-term training is needed to ensure the functioning of the courts. Among the police and security forces, there is a need for an improved understanding of operational tactics, community relations, gender awareness, and respect for human rights. The approach of national elections emphasizes the importance of legal drafting skills and comprehensive training on electoral procedures to effectively implement the country's first independent national vote. Across Government, there is a need for continued efforts to mainstream gender into policy, planning, and budgeting, and to ensure that the national election process encourages the participation of women candidates.

DEVELOPMENTS SINCE LAST MEETING AND PLANS FOR THE FURTHER IMPLEMENTATION OF THE NATIONAL DEVELOPMENT PLAN

Considerable progress has been made toward achieving Timor-Leste's national development goals, particularly in the area of State building.

Since the last Timor-Leste and Development Partners Meeting, the Government has continued to make substantial progress in implementing the NDP. In 2005, the Government adopted landmark legislation in the petroleum sector, including a Petroleum Fund Act, unanimously approved by Parliament, to preserve the country's most precious resource for the benefit of current and future generations. Free and fair *suco* elections have amplified the voices of women in local politics, and preparations are underway for the country's first independent national elections. The passage of the Veterans Law paves the way for ceremonies to recognize those who took part in the twenty-four year struggle for independence. The *Provedor dos Direitos Humanos e da Justiça* has launched operations, offering citizens a channel for independent oversight of the public administration. The health status of Timor-Leste's population has continued to improve. A new primary education strategy aims to ensure that by 2015 each child will complete primary school. In the last year, two new *Escolas Basicas* and 30 new primary schools have been constructed, and 21 schools have been renovated. Voluntary school contributions were abolished. Electricity is now available on a 24-hour basis in Dili and is beginning to expand into the districts, where it will be critical to rural productivity and enterprise development.

Priority actions for FY07 are collected in the results matrix for CSP II.

In addressing challenges over the next fiscal year, agencies will be steered by Annual Action Plans (AAP), which are based on the NDP and the Sector Investment Programs. The most pressing among the FY07 AAP actions are presented in the results matrix of the Consolidation Support Program, forming the basis of a multi-donor budget and balance of payments support program. Progress against CSP I actions is reported in Annex 1. Detailed information on plans for FY07 is found in the draft CSP II results matrix in Annex 2.¹

Macro-economic Developments and Outlook

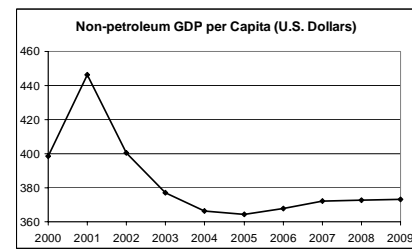
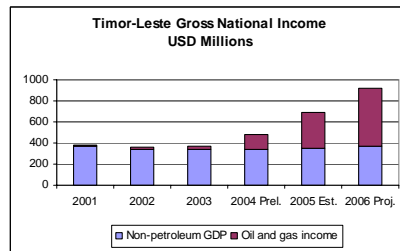
Australia and Timor-Leste have agreed to share revenues from Greater Sunrise, and Timor-Leste has promulgated key petroleum legislation.

In January 2006, the Governments of Timor-Leste and Australia reached an agreement to evenly share revenues emanating from the Greater Sunrise oil and gas field. Liquids production at the Bayu Undan oil and gas field is fully operational, and dry gas is being piped to Darwin, Australia, for recovery as liquefied natural gas. Following the promulgation of petroleum legislation, including a Petroleum Act, a Petroleum Taxation Act, and a Petroleum Fund Act, the Government launched bidding for the licensing of near-shore oil exploration in February 2006.

¹ As with its predecessor programs, CSP II will be financed entirely through grants provided by the Governments of Australia, Finland, Ireland, New Zealand, Norway, Portugal, United Kingdom, the United States of America, and the World Bank. The Government welcomes all partners as observers.

While GNI is growing rapidly...

In a context of increasing petroleum production and high oil prices, GNI is rising fast, with an expected jump from USD 691 million in 2005 to USD 922 million in 2006. **At the same time, non-petroleum GDP is growing only modestly.** Following a decline of around 6 percent



... non-petroleum GDP growth is modest at 1.8 percent in 2005...

per year in 2002 and 2003, non-petroleum GDP recovered slightly to grow 0.4 percent in 2004 and an estimated 1.8 percent in 2005, reflecting a post-drought rebound in the agriculture sector and expansion in banking sector activity. Non-petroleum GDP is expected to grow at around 4.5 percent in the medium term, which is barely enough to keep up with a population growth rate of well over 3 percent – among the highest in the world. **As a result, per capita GDP has steadily declined to USD 364 in 2005, and hence poverty is most likely increasing.**

...and poverty is most likely increasing.

Unemployment is high and growing, especially in urban areas and among young people...

Unemployment rates are rising, particularly as members of the rapidly growing youth population enter the workforce. Nationwide, unemployment has grown to 8.5 percent of the labor force from about 6.2 percent in 2001.² In urban areas (Dili and Baucau), overall unemployment has risen slightly to 23 percent from about 21 percent in 2001, and the youth unemployment rate has declined to 40 percent from 45 percent in 2001. Unemployment rates are highest in Dili, at 27 percent overall and 44 percent among youth. Wage levels remain high compared to neighboring countries. In Timor-Leste, despite lower levels of education, the guideline wage for unskilled labor is about USD 85 per month, as compared to USD 45 in Indonesia and USD 20 in Vietnam. This dramatic wage differential undermines competitiveness for international investment and limits job creation for unskilled labor.

...and the wage level for unskilled labor remains high.

Inflation has continued to decline...

Inflation has dropped to 0.9 percent in 2005, in response to declining food prices following the reduced presence of expatriates combined with a boost in agricultural production due to favorable weather conditions. Inflation is expected to rest at around 2.5 percent on the basis of low international inflation and the continued absence of domestic demand pressures. Non-petroleum exports have remained steady at USD 8.1 million in 2005, of which USD 7.6 million is coffee. The **trade deficit has narrowed** to an estimated USD 171 million in 2005,³ amounting to about 49 percent of non-petroleum GDP.

...and the trade deficit has narrowed.

² Unemployment covers those who are of working age, but have not worked in the last 7 days. These figures include both those who are and are not actively looking for work. Data for 2001 are based on the Timor-Leste Living Standards Survey. Data for 2004 are based on the National Census.

³ Excludes petroleum revenue.

Creating Productive Employment through Financial and Private Sector Development, Agriculture, and Infrastructure

Productive employment – especially in the rural areas – is critical to poverty reduction.

With growing numbers of young people entering the workforce, and a stagnating domestic economy unable to accommodate them, the creation of productive employment is of utmost importance. While some progress has been made in establishing the legal and institutional framework for private sector activity, these initiatives have not yet led to tangible job creation. Strong advances will be needed on a number of fronts in order to overcome the formidable obstacles facing private sector development, including a simpler, more consistent legal framework; streamlined procedures for business registration and customs; more secure land and property rights; easier access to credit; improved technologies for productive, marketable agricultural goods; better roads; and wider access to cheaper electricity and telecommunications.

Private sector growth depends on a more enabling environment for business development.

Significant progress has been made in preparing the enabling legislation for the private sector, and important steps are needed to facilitate business registration. The law on commercial societies, the insurance law, and the domestic and foreign investment laws have all been promulgated. A draft law on bankruptcy has been prepared, but is undergoing further revisions. However, business registration processes remain slow and cumbersome. The 2006 “Doing Business” survey found that it takes an average of 10 procedures and 92 days to register a limited liability company in Timor-Leste, with a registration cost that is greater than annual per capita income. The proposed Commercial Registry Code is a step toward simplifying business registration, but as it cuts only one procedure and leaves time and cost unchanged, is not expected to result in a significant improvement to business registration indicators. As the registration function falls under the Ministry of Justice, which has not yet built the needed capacity, close coordination among the various Ministries with a role in private sector development will be important to reduce the time and cost involved in registering a business. Given its positive revenue situation, Timor-Leste could also look to a simplification of the tax regime to encourage business development.

Investment promotion agencies have been established.

Promotion of trade and investment has begun with the establishment in July 2005 of the *Instituto de Apoio do Desenvolvimento Empresarial* (IADE) and TradeInvest Timor-Leste (TITL), agencies to support domestic and foreign investment, respectively. IADE is not yet fully operational, but its concept and policy are well established and staff recruitment is underway. TITL held its first major investment conference in November 2005, and two investment projects have been approved, one in coffee and one in fishing, totaling USD 19 million. It is expected that these investments will create about 650 jobs for Timorese workers. Stimulating substantial investments will depend on efforts to simplify registration procedures and lower the cost of transport, electricity, and telecommunications.

Work continues to strengthen entrepreneurial skills and build links between business and Government.

Steady progress has been made in the provision of entrepreneurship training to enhance skills and increase awareness of procedures and challenges involved in starting a business in Timor-Leste. Business Development Centers operating in five cities have trained 8,000 individuals, though only 300 entrepreneurial jobs have been created among the trainees. The BDCs will be incorporated into the IADE in July 2006. After holding informal meetings with small business people around the country, the Government hosted the first national Business Forum in Dili in June 2005 and a second is planned for March 30-31, 2006. As a follow up, public-private working groups need to be created to discuss specific issues raised in the Business Forum and to work on solutions.

Land and property rights remain uncertain.

The protection of land and property rights is not yet complete. The decree law on the leasing of State property came into force in May 2005. The draft law on leasing between private parties was approved by Parliament in the same month, but has yet to be promulgated. About 3,000 households in Dili have voluntarily registered with the Land and Property Unit and begun paying a nominal monthly rent of USD 10. The registration and titling of land hinges on the passage of a law on property systems, land transfer, registration, and title restitution, which has been awaiting official submission by the Ministry of Justice to the CoM for nearly a year.

Direct job creation has moved at a slow pace.

Initiatives for direct job creation have fallen short of expectations. Under the Emigrant Workers Program, approximately 20 workers are scheduled to leave for South Korea by mid-April 2006 for jobs in the construction sector; a total of 100 workers are expected to be in South Korea by June 2006. The Ministry of Labor and Community Reinsertion is in discussions with Malaysia and Macau to place Timorese workers in jobs that will encourage recruitment of women. The Government is developing a legal framework for the social protection of migrant workers. In the first half of FY06, the community-based road maintenance program has created about 128 annualized jobs. While monitoring and data collection have improved, job creation falls considerably short of targets for the fiscal year. In the near term, swift implementation of the Government's overall capital development budget may hold the most promise for job creation, especially if the use of low-skilled labor is specifically targeted and monitored.

The financial sector continues to expand ...

Financial sector activity has continued to expand rapidly. Bank deposits increased to USD 99 million (28 percent of non-petroleum GDP) in 2005, up from USD 84 million the previous year and USD 55 million in 2002. Commercial bank lending grew by 23 percent to USD 88 million (25 percent of non-petroleum GDP), as compared to USD 71 million in 2004 and USD 5 million in 2002. The quality of the portfolio has declined, with non-performing loans accounting for 12.8 percent of total lending at end-December 2005. While microfinance institutions are of limited significance in dollar terms, they have reached between a fifth and a quarter of poor households despite the absence of an explicit regulatory environment for microfinance. Among members of the Association of Microfinance Institutions in Timor-Leste, total

...and the coverage of microfinance institutions has grown.

outstanding loans amounted to USD 2.36 million in December 2004, with 19,200 active borrowers. Under the leadership of the Banking and Payments Authority, *work has begun on the establishment of a credit registry to further facilitate credit expansion*. A collateral registry is also envisioned once the necessary land and property legislation is in place.

The agriculture, forestry, and fisheries sector has made important strides in establishing policy and legislation...

Development of agriculture, forestry, and fisheries programs has benefited from a strategic approach and careful attention to monitoring. Previous constraints on operations were eased with a sharp increase in the Ministry of Agriculture, Forestry and Fisheries' (MAFF) budget from USD 1.67 million in FY05 to USD 4.45 million in FY06. The CoM has approved the national Food Security Policy and is considering the Forests Policy and Strategy, and a draft Community Forests Strategy has been prepared. Upcoming forestry legislation will designate National Parks and fifteen proposed Protected Natural Areas. An extension and service delivery strategy has been drafted, but more work is needed to ensure its affordability, equity, and sustainability. A management plan has been developed to address the threat of Avian Influenza. MAFF now conducts routine harmonization meetings. Staff appointments and administrative arrangements for the new regional system are in progress. With support from the Capacity Development Coordination Unit (CDCU), MAFF is piloting a three-year Ministry Capacity Development Action Plan. Capacity to monitor food production and food security is increasing rapidly, with the first triennial agricultural and fisheries surveys to be completed on 4,000 households by December 2006. A vessel licensing and reporting system is now in place for all commercial fishing activities; over 500 in-shore and two off-shore licenses have been issued, leading to the creation of an estimated 250 jobs for Timorese workers. Monitoring, control, and surveillance procedures for off-shore fishing will need to be defined for the protection of national fish resources and licensed operators.

...and monitoring capacity is expected to improve with the implementation of a triennial survey and establishment of vessel licensing for in-shore and off-shore fishing.

It is hoped that the recent Government reorganization will lead to improved rehabilitation and maintenance of roads.

Following a major Government reorganization at the start of FY06, the new Ministry of Public Works is working to improve implementation of roads programs. The road network is extensive but in poor condition, and medium-term funding commitments are insufficient for rehabilitation and maintenance. A Five Year Road Strategy and Investment Program has been endorsed. Actual spending on road rehabilitation and maintenance, and particularly on capital development, has been very low this fiscal year, reflecting inadequate budget preparation. Under the leadership of the new Minister, MPW has introduced organizational reforms to boost capital development spending, which are expected to bear fruit beginning next year. These reforms are expected to include improved tendering and contract supervision to ensure contractor performance. Recent project experience indicates that the contracting industry in Timor-Leste is strong enough to implement the current scale and type of works in the roads sector, though planned increases in the capital development budget will stretch available skills.

Development of policies for water and sanitation focuses on revised targets for balanced service provision and improved monitoring systems.

Good progress is being made to strengthen the reliability and efficiency of power in Dili, and to expand power services in the districts as required for economic growth...

...but high electricity costs are an obstacle to private sector development.

Since the restoration of independence, good progress has been made in rebuilding social services...

In response to rapid population growth and urban migration, the water supply and sanitation sector is redefining service targets. Responsibility for water supply and sanitation now falls under the new Ministry of Natural Resources, Minerals, and Energy Policy. The updated Sector Investment Program (SIP) lays out a policy framework that aims to meet the needs of both urban and rural residents; the policy is expected to be adopted in FY07, along with an organizational development plan for the National Directorate of Water and Sanitation (DNAS) and a regulatory framework for the sector. In the future, budget allocations and program commitments are expected to be based on defined service agreements and monitored through a performance benchmarking system. Initial steps have been taken to secure financial and managerial autonomy for DNAS. Though some progress has been made to expand access to clean water in rural areas, the recent SIP review found that many communities remain underserved.

Power services have improved considerably, with electricity available around the clock in Dili and every evening in district centers. A new generator has helped to reestablish 24-hour power supply in Dili, and community power systems have improved to allow six hours of electricity per day in all district centers and some sub-districts. Energy efficient lamps have been distributed to 60,000 consumers in the capital. Losses in Dili have dropped to about 40 percent from 56 percent in July 2004, and are being further addressed through rehabilitation of the distribution network and activities to reduce non-technical losses. Cost recovery continues to improve, with monthly collections averaging USD 465,000 in the first half of FY06, as compared to USD 330,000 in the previous year and USD 201,700 in the second half of 2002. Collections cover about 95 percent of non-Government consumers, but only about 43 percent of Government clients. It is expected that the process for Government billing will be revised in FY07, with electricity budgets and bills assigned to only one department in each building. Since August 2003, 24,000 pre-paid electricity meters have been installed, and an additional 11,000 meters are planned. Given the current dependence on imported diesel fuel, electricity costs remain high. The Government is working to define institutional arrangements for district power systems, with the goal of establishing 24-hour power in two district towns, continuing rehabilitation of district and sub-district power stations, and installing pre-paid meters in rehabilitated districts. In addition, firm plans are in place to develop lower cost sources of electricity generation, including a gas seep harvesting project and improved fuel procurement procedures.

Delivering Sustainable Services in Health, Education, and Veterans Affairs

Following the restoration of independence, the Government has made considerable progress in rebuilding social services from the ground up. A great deal has been accomplished in the health sector in a short time, including the reconstruction of health facilities, development of a comprehensive policy framework, establishment of a district planning system, and steady improvement in health outcomes. In the education

sector, most schools have been rehabilitated, new schools are being built, teachers are in place, and student enrollment rates have grown.

...yet rapid population growth will place increasing pressure on health, education, water and sanitation, food security, and the environment.

As the population swells, pressure on social services will intensify. At 7.8 children per woman, Timor-Leste has the highest fertility rate in the world. The corresponding population growth rate is estimated at well over 3 percent per year. If this rate is maintained, the current population of 925,000 will double in 17 years. These factors will place tremendous pressure on health facilities and schools, as well as burdening water and sanitation systems, challenging food security, and enhancing the risk of serious environmental degradation. In the face of these results, the Ministry of Health (MOH) is revising its strategies with regard to reproductive health.

Despite good progress since independence, momentum toward meeting health targets has slowed...

Progress in meeting health targets has slowed in the first half of FY06, but budget plans focus on reestablishing momentum. Recent difficulties with the quality of data collection and reporting have been addressed, and the Management Information System now uses census data and projections to define targets and achievements (see table 2).

Table 2: Progress on Health Indicators

Health Indicator	2001	2002	2003	2004
Measles coverage, % children under 1 year	23.28	34.94	47.66	49.40
DPT coverage, % children under 1 year	25.44	41.70	51.88	51.43
Inpatient episodes per capita	0.02	0.02	0.03	0.04
Outpatient episodes per capita	1.24	1.51	2.05	2.26
Births attended by skilled personnel, %	20	29	33	39

Source: MOH quarterly monitoring data; population data updated to reflect census estimates.

...but efforts continue to enhance planning, monitoring, and spending flexibility in the center as well as in the districts.

A new National Health Strategy is planned to support the SIP process and the launch of a three-to-five year rolling expenditure plan. A draft of the hospital services package is being debated, and a draft annual strategic activity plan has been prepared for Dili Hospital. District health plans continue to be monitored on a quarterly basis, and MOH staff have increased district visits to review plans and view conditions at the field level. MOH has drafted documents to help improve monitoring and evaluation of donor and NGO activities, particularly those outside the budget process. However, the capacity of health staff in both Dili and the districts has been stretched by micro-policy development and new donor- and NGO-financed initiatives, in addition to program implementation. To address the shortage of qualified medical staff, doctors from Cuba have been recruited to work in the districts in Timor-Leste, while Timorese students have been sent to Cuba for medical training. The growth in the number of doctors working in Timor-Leste will require an adjustment to the Basic Package of Services Policy. In FY07, MOH will take innovative steps to enhance spending flexibility in the districts, setting up imprest accounts supervised by district health managers and requesting approval from the Ministry of Planning and Finance (MoPF) to create small accounts for each health center.

Management of education services has improved...

The education sector has taken strong steps to enhance planning capacity, human resources development, and budget execution in the past year. While access to education has improved gradually, quality is

...and a Strategic Plan for Universal Primary Completion has been adopted to enhance access and quality in primary schooling.

School financing mechanisms need to ensure adequate staffing and service provision without limiting access to poor people.

From the transparent registration of veterans to the passage of a law, rarely has a post-conflict country moved so quickly and systematically to recognize and assist veterans.

Ceremonies to recognize veterans in several categories are planned for the latter half of 2006...

...and select groups are receiving Government assistance.

The Government has shown a strong commitment to State building and good governance.

low; the challenges are intensified by the difficulties in effectively implementing the policy on languages of instruction. To address access as well as quality issues, the Government has adopted a Strategic Plan for Universal Primary Completion by 2015 (SP-UPC) and has been awarded USD 6 million to its achievement under the Education for All Fast Track Initiative Catalytic Fund. The Ministry of Education and Culture plans to develop integrated program implementation plans for each of the four areas of the SP-UPC: access, curriculum and learning materials, teacher training, and capacity development. MoEC has made a concerted effort to improve budget execution capacity, but this has not yet resulted in faster spending rates as the small number of procurement staff in MoPF have not been able to keep up with the surge of procurement requests. A school financing policy is being developed to improve the quality of education without limiting access to poor families. The abolition of voluntary contributions is a positive step, and there is now a need to develop alternative ways to finance volunteer teachers to ensure an appropriate student-teacher ratio. The Government has begun to explore targeted interventions to help poor children get an education, including school feeding, scholarships, and block grants to support quality improvements in schools.

Timor-Leste's efforts to recognize and assist veterans of the resistance continue to be a model among post-conflict countries. The *Estatuto dos Combatentes da Libertação Nacional* was approved by the Parliament in early March 2006, and the Secretariat of State for Veterans and Former Combatants (SEAVAC) plans to carry out an information campaign about the law. Registration of armed and civilian veterans under the commissions established by the Office of the President has been completed, and data are in the process of being verified. Ceremonies to honor veterans of the armed and civilian resistance are planned for August 2006, followed by ceremonies for the founders of the resistance in November 2006 and for the deceased in December 2006. The availability of information on the number of veterans, durations of service, and modes of service now provides a strong basis for cost projections for these ceremonies and assistance programs. Following the completion of the database by the Office of the President, it will be transferred to SEAVAC. As SEAVAC has also collected data on veterans, widows, and orphans, it will be important to harmonize and consolidate all veterans data in a single database. The Government has begun providing pensions to 39 economically vulnerable veterans who served 24 years in the armed struggle. The new law provides a framework for the equitable recognition of women veterans, who comprise about one-third of registered veterans of the civilian resistance.

Strengthening Governance

In less than four years as an independent nation, Timor-Leste has made remarkable progress in building the State and laying the foundations for good governance. Peace and stability have been maintained and will continue to be a primary objective as national elections draw closer. Notable achievements this year include the formation of a Petroleum Fund to safeguard Timor-Leste's significant

natural resources for current and future generations, and the establishment of the *Provedor dos Direitos Humanos e da Justiça*, which combines the functions of human rights commissioner, ombudsman, and anti-corruption agency. Since the restoration of independence, the Government has referred a total of five cases of alleged criminal wrongdoing to the Prosecutor General and recommended eight to the Prime Minister for referral.⁴ The recent Mari Alkatiri Initiative on Accountability and Transparency highlighted eight key recommendations for strengthening governance in the short term (see box 1). Civil society and the media are an important pillar of good governance, yet many have expressed concern over the possible criminalization of defamation, which they feel may prevent them from expressing their views.

Box 1: Key Recommendations of the Alkatiri Initiative

In January 2006, the Mari Alkatiri Initiative on Accountability and Transparency was formed with the goal of assessing the status of transparency, accountability, and integrity in public administration in Timor-Leste; providing specific recommendations on priority areas for reform; identifying additional support required; and initiating a multi-sector dialogue and partnership on these issues.

Among the recommendations put forward, the following were considered to be the most urgent:

- Review of the defamation and privacy intrusion provisions in the draft Criminal Code and the inclusion of a civil remedy in the draft Civil Code
- Enactment of the electoral law based on wide consultation, and strengthening of the independence of the National Electoral Commission and the technical support team
- Consideration and endorsement by the Government of the implementation proposals of the Office of the Provedor, and the allocation of supplementary resources by Government and the donor community
- Extension of the contracts of the international advisers in the justice sector, most of which are due to expire in May 2006
- Intensification of efforts to recruit and train interpreters and translators in the official languages to ensure that laws, government communications, and court documents can be understood by the population
- Amendment of laws and regulations to ensure that operational and disciplinary authority over the police service is exercised solely by the Commissioner of Police
- Expansion of the coverage of the national broadcaster to the country as a whole.
- Mobilization of international funding and technical support for the above activities

The Government continues to make progress in establishing the governance architecture set out in the Constitution. The *Provedor* and his two Deputies were sworn in by Parliament in July 2005. Following initial achievements such as recruitment and high quality training, information leaflets, and meetings in the districts and Dili to raise awareness, the Office of the *Provedor* opened for business on March 20, 2006. The Council of State and Supreme Council for Defense have been established and are functioning. The Organic Law for the Office of the Inspector General has been drafted, but not yet approved. The Secretary of State for the Council of Ministers has produced a legislative program setting out the Government’s legislative timetable. Common technical drafting standards have been defined, and a draft Framework Organic Law for Government has been prepared to guide the harmonization of

The Office of the Provedor has opened its doors to the public...

...and progress continues to establish a legislative program and a mechanism for independent external audit.

⁴ These figures include referrals from the Office of the Inspector General and the Internal Audit Unit of the Ministry of Planning and Finance.

Organic Laws. A staged approach has been agreed upon for the transfer of external audit to the Court of Appeals, beginning with contract management and related services, combined with eventual capacity building to enable the Court itself to conduct independent external audit of public finances in the longer term.

The Inspector General has completed 73 investigations and referred six for to the prosecution, one of which is going to trial...

The Government has demonstrated a strong commitment to good governance through seminars on Integrity in the State for civil servants in a range of ministries. In September 2005, the Office of the Inspector General (OIG) launched a high-quality website (http://www.inspeccaogeral.gov.tl/eng/msg_ig.htm) with information about the office and its activities, including 51 summary reports of investigations in Portuguese and 29 in English; translation to Tetum is ongoing. Since 2000, the OIG has successfully completed 73 investigations, of which one has been referred directly to the Prosecutor General and five recommended to the Prime Minister for submission to the Prosecutor General. One referred corruption case is now proceeding to trial. The OIG is investigating an increasing number of complaints and recently looked into construction standards in two district roads. However, the OIG's powers are restricted in the absence of a published Organic Law. The Petroleum Fund Act mandates income and asset declarations for Investment Advisory Board members, and the Ministry of State Administration will shortly launch an options study on broader integrity instruments. A Media Law and a policy on access to information are in the initial stages of development. To ensure citizen participation in demanding good governance, more information needs to be sent out to the districts in a language that people understand, using accessible formats such as radio and television.

...but the Organic Law for the Office of the Inspector general has not yet been passed, limiting its effectiveness.

Progress in public sector management is constrained by limitations in legal drafting capacity and the absence of both a strategy and information system for human resource management.

Progress in the area of public sector management has been constrained in part by limitations in legal drafting capacity across Government. Following the promulgation of the Civil Service Act in June 2004, 9 of 18 supplementary regulations have been drafted, but none has been subject to legal review or submitted to the CoM. Funding has now been found to enable work to proceed on the Personnel Management Information System, which will form the basis for further work on pay reform and career development. Significant delays in hiring staff demonstrate the critical need for a review of recruitment procedures. In response to an options study on decentralization, the Government has set up an inter-ministerial technical working group which has followed a model process in consulting widely during the development of a policy paper that is now before the CoM. It is expected that legislation will be drafted during the coming year.

There has been steady progress in mainstreaming gender throughout the planning process.

The promotion of gender equality in public administration continues to make steady progress. Following the appointment of gender focal points, training has been conducted to help line ministries better understand how to incorporate gender considerations into the planning process. This work has focused particularly on agriculture, education, health, justice, and the police. The Adviser on Promotion of Equality has taken a permanent seat on each of the Sector Working Groups to ensure

that gender is mainstreamed in the development and implementation of the SIPs. There is a need to integrate a gender perspective into the Government's food security policies to ensure that the needs of malnourished women and children are equally addressed.

After successful local elections last year, Timor-Leste turns its attention to the national vote in 2007.

In October 2005, Timor-Leste successfully concluded elections for local authorities—the first since the restoration of independence.

Despite minor irregularities, largely due to staff inexperience, the elections were well organized. This experience also pointed to possible improvements in advance of the Parliamentary and Presidential elections in 2007, including the need for broad-based consultations to establish the “rules of the game” and inform early drafting of electoral legislation. There is also a need to strengthen the independence of the National Electoral Commission and to ensure sufficient numbers and capacity of staff to conduct effective elections in 2007.

International support has helped improve the functioning of the justice sector, but a backlog remains, especially in the prosecution of corruption cases.

The efficiency of the justice sector has improved considerably, due to the increased presence of international legal personnel.

In the Dili District Court, 242 criminal cases were decided in 2005 as compared to 11 in 2004. However, a significant backlog still remains, particularly for civil cases. Though several corruption cases are awaiting prosecution, only one has proceeded to trial. If these cases are not dealt with promptly, a perception of impunity may emerge. There have been some improvements in court systems with the regular publication of court schedules, but a revised mechanism for case management is urgently needed. The four district courts are now operating on location, though the Suai and Oecussi courts remain heavily reliant on UNOTIL for logistical support. There is a need for additional measures to enhance access to justice in the districts, including more legal personnel, facilities for temporary detention in Oecussi, and an appropriate mechanism to cover the costs of victims and witnesses to travel to hearings. The legal framework for the justice sector has progressed well, with the publication of the Organic Law for the Public Prosecution in September 2005. Following this achievement, steps have been taken to create the Superior Council for the Public Prosecution. The draft Organic Law for the Public Defense is under review by the Ministry of Justice, after which it will be re-submitted to the CoM. The new Criminal Procedure Code and Civil Procedure Code have been promulgated, and the Penal Code is under review by the President of Timor-Leste. It is expected that the law on domestic violence will be submitted to the CoM after the Penal Code is promulgated. In May 2006, a first set of 27 Timorese candidate judges, prosecutors, and defenders are expected to complete the theoretical portion of their course at the Judicial Training Center.

District courts are operating, but there is a need to enhance access to justice in the districts. There has been good progress in creating the legal framework for the justice sector.

The first set of Timorese court actors is expected to complete coursework in May.

The police services are working to improve community relations, coordination, and professionalism.

The police services are working to build stronger links with the public and other law and order institutions.

Community awareness programs are being piloted in four districts to discuss domestic violence, police responsiveness to women, and general crime prevention. Gender sensitivity in the Timor-Leste National Police (PNTL) has been enhanced by the inclusion of relevant material in Police Academy

courses and training of trainers. A concept paper on Crime Prevention and Community Safety has been developed, but a policing policy has not yet been outlined. In an effort to reduce the backlog of cases in the justice system, the PNTL has established a liaison mechanism to ensure communication with the public prosecution. An independent review commission for police discipline has pointed to a need for improved coordination among the Ministry of Interior, the PNTL, and the *Provedor*. A Case Review Steering Committee has been set up to identify problems with criminal investigation methodologies and inefficiencies in case management.

Management of oil and gas revenues has made excellent progress, with key laws passed...

...a Petroleum Fund established and regularly monitored...

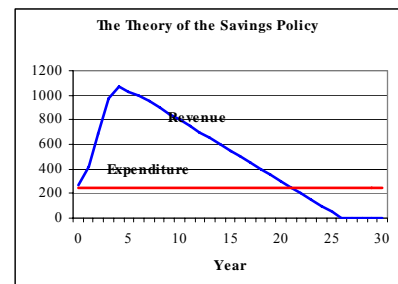
...an Investment Advisory Board in place, and a Consultative Council in the process of being appointed.

The Government has made excellent progress in establishing a legislative and institutional framework for the prudent management of oil and gas revenues. A Petroleum Act and Model Production Sharing Contract, a Petroleum Taxation Law, and a Petroleum Fund Law were promulgated in early FY06. In September 2005, the Petroleum Fund was established with an initial balance of nearly USD 250 million; at end-December 2005, the Petroleum Fund had accumulated deposits of about USD 370 million. Two quarterly reports have been published in a timely manner, and a website (www.transparency.gov.tl/) makes publicly available information on petroleum sector legislation, Petroleum Fund reports, overall revenue numbers, and Production Sharing Contracts. Members of the Investment Advisory Board have been appointed, and its first official meeting was held in January 2006. A number of appointments have been made to the Consultative Council, which is expected to be operational by June 2006. Having embraced the principle of transparent management of petroleum revenues well before the launch of the Extractive Industries Transparency Initiative, Timor-Leste is a pilot country for EITI and its petroleum legislation framework is consistent with EITI principles. The Petroleum Fund Law establishes a savings policy aimed at preserving the real value of petroleum wealth by spreading expenditures over an infinite horizon, safeguarding a sustainable budget in perpetuity (see box 2). Annual withdrawals of the sustainable income must be approved by Parliament and are integrated into regular budget processes.

Box 2: Ensuring Prudent Governance of Timor-Leste’s Petroleum Revenues

Building on the successful Norwegian model, the Government has adopted a Petroleum Fund Law and savings policy laying out a framework for accountable and transparent management of petroleum revenues on a long-term, sustainable basis. The Law became effective at the beginning of FY06. The arrangements are consistent with principles of international good practice:

- ***A Petroleum Fund has been established to collect all revenues emanating directly or indirectly from petroleum resources.*** All revenues flow into an earmarked receipts account (including those revenues accumulated under the provisional savings policy of the transition period).
- ***A savings policy has been adopted to preserve the real value of petroleum wealth by spreading expenditures over an infinite time horizon,*** safeguarding a sustainable budget in perpetuity. Conditions under which the Government can withdraw funds from the Petroleum Fund above an estimated “sustainable income” are restricted and subject to Parliamentary approval.



- **Expenditures funded from petroleum revenues are integrated into the budget process.** Transfers from the Petroleum Fund can only be made to a designated government account, and total transfers in a fiscal year cannot exceed a ceiling set by Parliament as part of the approval of the government budget. Expenditures are executed through the Treasury and recorded as part of the Government's consolidated reporting. Revenue and expenditure figures are publicly available, and the Budget Law and regular external audits guard against misappropriation of funds.
- **Assets are managed prudently in safe, offshore investments that are sheltered from domestic economic risks.** Overall Petroleum Fund management is the responsibility of the Minister of Planning and Finance, and operational management is the responsibility of the Banking and Payments Authority. Under the Law one or more professional investment managers will be appointed to oversee Petroleum Fund investments. An Investment Advisory Board has been established to advise the Government on Petroleum Fund investments.
- **Governance mechanisms have been put in place to ensure transparency and accountability in the use of funds.** The Law requires the timely publication of quarterly reports and annual financial statements and the public release of non-confidential information. An independent Consultative Council is being established to advise Parliament on issues related to the Petroleum Fund. Independent external audits will be carried out by an internationally recognized accounting firm, and audit reports will be adapted into a format accessible to the public. The Government has established transparency as a fundamental principle in the Law, requiring the publication of aggregate information on company payments.

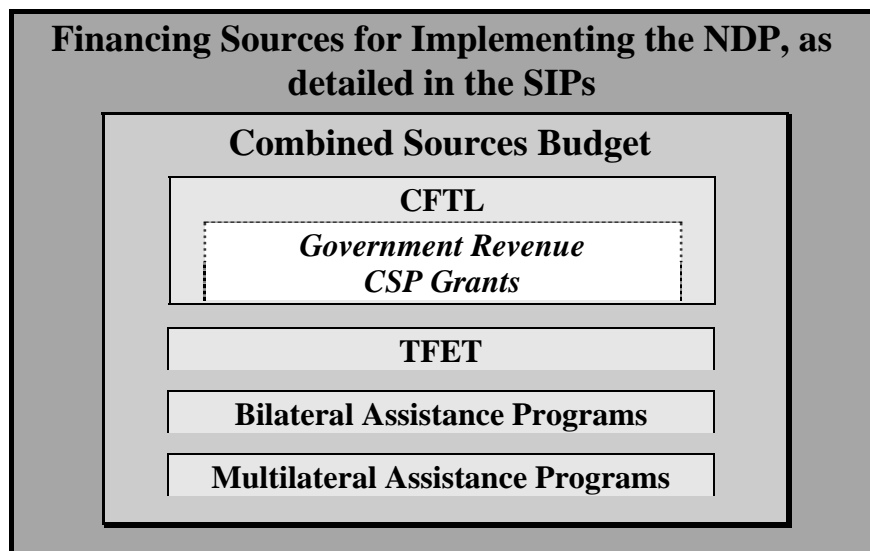
The arrangements in the savings policy and Law are critical to safeguarding Timor-Leste's petroleum wealth; however, their success will depend on the reinforcement of relevant institutions and the effective implementation of all the checks and balances in the Constitution. This includes Parliamentary oversight, the justice system, independent audit of Government accounts, the Provedor, and freedom of speech, all of which need strengthening. In addition, the independence of these functions and institutions from each other is important, but not yet firmly established.

RESOURCE UTILIZATION AND MOBILIZATION

Comprehensive planning underlies the preparation of Timor-Leste's combined sources budget.

The Government of Timor-Leste has developed a comprehensive system of planning and budgeting anchored in the National Development Plan. Guided by the NDP and Sector Investment Programs, every agency prepares an Annual Action Plan, which underpins the preparation of a Combined Sources Budget comprising the Consolidated Fund for Timor-Leste (CFTL), the undisbursed balances of Trust Fund for East Timor, and other multilateral and bilateral assistance programs (see figure 1).

Figure 1: The NDP and the SIPs Guide the Combined Sources Budget



Public financial management continues to be sound, with combined sources budgeting and an increased focus on gender mainstreaming.

Public finances continue to be managed in a fiscally responsible manner. The annual accounts for FY05 were finalized with a clean audit opinion and within three months of the end of the financial year. FY06 saw the timely and professional production of a combined sources budget with greater detail on capital development plans, which allows for district-based monitoring, as well as an increasing focus on gender mainstreaming.

CFTL Budget Execution in FY06

While total revenues have continued to increase, budget execution remains slower than projected.

Execution of the FY06 budget has been characterized by significant revenue inflows and slower than projected expenditures. Total revenues are estimated at USD 395 million for FY06, of which about USD 350 million is expected to come from petroleum revenues. The remainder consists of domestic revenues, which have increased slightly to USD 34 million, and a USD 10 million grant for CSP I. In anticipation of these increased revenues, the Government elaborated a budget of USD 130 million in FY06, nearly twice previous year's budget. While budget execution has improved in terms of actual dollars spent, spending remains below targets and the challenges will deepen with another expected jump in budgeted expenditures for FY07.

Petroleum revenues are increasing dramatically, and domestic revenues are expected to grow moderately in the medium term.

Petroleum revenues have continued to increase dramatically owing to historically high oil prices and increased production. Medium-term projections indicate that petroleum revenues will rise to over USD 1 billion by FY08, totaling over USD 2.9 billion over the next four years. **Domestic revenues** are projected to grow to around USD 50 million by FY10, totaling around USD 129 million over the next four years. With the launch of ASYCUDA II scheduled for April 2006, it is expected that the efficiency of customs collections will begin to improve.

Table 3: CFTL Financing (following savings policy), USD millions⁵

Component	FY05	FY06	FY007
	Actual	MYBU	Proposed
Revenue	336.7	394.5	735.8
Domestic Revenues	36.9	33.6	39.0
Petroleum Revenues	265.6	350.9	686.7
Grants	34.2	10.0	10.0
CFTL Expenditures (incl. BPA capitalization, excl. autonomous agencies)	74.1	130.1	217.9
Overall Balance	262.6	264.4	517.9
Net Financing	-262.6	-264.4	-517.9
Changes in cash balances (increase -)	0.0	0.0	0.0
Oil Gas/Revenue Savings (increase -)	-262.6	-264.4	-517.9
Memorandum:			
Cumulative Oil/Gas Savings	70.1	518.5	1163.8

Source: Expenditure data from Ministry of Planning and Finance; revenue data from IMF Staff Estimates.

The FY06 has been strongly pro-poor in its structure...

FY06 budget allocations indicate a strong pro-poor focus (see table 4). Of the total recurrent CFTL budget, health and education made up 32 percent and agriculture, forestry, and fisheries 4.5 percent. Police and defense budgets were restricted to 20 percent of the recurrent CFTL

⁵ These numbers are still provisional and will be updated on the basis of draft budget papers currently under revision by Government.

...and in its execution thus far.

budget. Forty-five percent of the core CFTL education budget is allocated to primary education, and hospital budgets have been maintained at 37 percent of the core CFTL health budget. As of end-February 2006, the execution of expenditures in these areas has proceeded in line with these proportions.

Table 4: FY06 CFTL Spending by Ministry

Ministries/Programs	Budget Allocation		Budget Execution to end-Feb 2006			
	USD ('000)	% total	Total ⁶ USD ('000)	%	Cash USD ('000)	%
Office of the President	681	0.5%	499	73%	397	58%
National Parliament	2,112	1.6%	1,074	51%	804	38%
Office of the Prime Minister & Presidency of the Council of Ministers	5,933	4.6%	3,675	62%	1,451	24%
Ministry of Defense	9,820	7.5%	6,204	63%	2,982	30%
Secretariat of State for the Council of Ministers	678	0.5%	245	36%	168	25%
Ministry of State Administration	4,296	3.3%	2,465	57%	1,386	32%
Ministry of Interior (mostly police) ⁷	10,501	8.1%	6,510	62%	4,849	46%
Ministry of Development	583	0.4%	286	49%	219	38%
Secretariat of State for Youth & Sport	502	0.4%	133	26%	120	24%
Ministry of Justice	5,696	4.4%	4,056	71%	941	17%
Ministry of Agriculture, Forests, & Fisheries, of which	4,981	3.8%	3,590	72%	1,368	27%
<i>Salaries and Wages</i>	691	0.5%	382	55%	382	55%
<i>Goods and Services</i>	2,337	1.8%	1,375	59%	979	42%
<i>Minor Capital Expenditure</i>	1,198	0.9%	1,128	94%	0	0%
<i>Capital Development</i>	755	0.6%	704	93%	6	1%
Ministry of Education & Culture, of which	18,510	14.2%	12,272	66%	8,689	47%
<i>Salaries and Wages</i>	11,926	9.2%	7,426	62%	7,426	62%
<i>Goods and Services</i>	4,520	3.5%	2,855	63%	1,237	27%
<i>Minor Capital Expenditure</i>	452	0.3%	421	93%	26	6%
<i>Capital Development</i>	1,612	1.2%	1,570	97%	0	0%
Ministry of Health, of which	16,884	13.0%	10,408	62%	6,294	37%
<i>Salaries and Wages</i>	3,036	2.3%	1,829	60%	1,829	60%
<i>Goods and Services</i>	9,146	7.0%	4,668	51%	3,693	40%
<i>Minor Capital Expenditure</i>	530	0.4%	225	43%	124	23%
<i>Capital Development</i>	4,172	3.2%	3,686	88%	649	16%
Ministry of Labor & Community Reinsertion	1,465	1.1%	790	54%	338	23%
Ministry of Foreign Affairs & Coop.	2,904	2.2%	1,510	52%	1,458	50%
Ministry of Planning & Finance	9,293	7.1%	4,011	43%	2,751	30%
Ministry of Transport & Communications	2,617	2.0%	1,943	74%	589	23%
Ministry of Natural Resources, Minerals, & Energy Policy	11,281	8.7%	6,969	62%	3,208	28%
Ministry of Public Works, of which	9,243	7.1%	6,762	73%	960	10%
<i>Salaries and Wages</i>	394	0.3%	196	50%	196	50%
<i>Goods and Services</i>	1,879	1.4%	771	41%	727	39%
<i>Minor Capital Expenditure</i>	147	0.1%	75	51%	17	12%
<i>Capital Development</i>	6,823	5.2%	5,720	84%	20	0%
Judiciary	503	0.4%	203	40%	118	24%
Banking & Payments Authority	10,740	8.3%	10,740	100%	10,740	100%
Provedor	93	0.1%	30	32%	26	28%
Public Broadcasting Service	826	0.6%	393	48%	323	39%
Total	130,142	100%	84,766	65%	50,178	39%

Source: Budget Execution Report, February 2006.

⁶ Includes actual expenditures (cash) and commitments. Target execution for the end of February is 67 percent.

⁷ The police budget makes up over 85 percent of the budget of the Ministry of Interior. Monthly budget execution reports do not disaggregate among the MOI and PNTL.

Expenditure commitments are progressing relatively well, but cash spending remains slow.

Compared to previous years, overall budget execution performance has improved, but critical bottlenecks continue to constrain spending needed for poverty reduction and economic growth. Total budget execution (including cash and commitments) is on target so far in FY06, reaching 62 percent across expenditure categories at end-February 2006, as compared to a target of 67 percent (see table 5).⁸ On a cash basis, budget execution for FY06 lags behind targets, with only 33 percent of spending accomplished by end-February 2006. Cash spending for FY06 is particularly slow in the areas of minor capital and capital development, owing in large part to backlogs in procurement processing. Given the significant budget increase from FY05 to FY06, however, it will still be a challenge to match last year's budget execution rates on a percentage basis, though it is quite possible that FY06 expenditures will be significantly higher in absolute dollar terms.

Table 5: FY06 CFTL Budget Execution by Expenditure Category

Ministries/Programs	Budget Allocation		Budget Execution to end-Feb 2006			
	USD ('000)	%	Total		Cash	
	USD ('000)	%	USD ('000)	%	USD ('000)	%
Recurrent Expenditure (Core CFTL)	93,480	78%	53,163	57%	38,999	42%
Salary and Wages	29,206	24%	17,223	59%	17,223	59%
Goods and Services	58,132	49%	31,528	54%	21,104	36%
Minor Capital	6,143	5%	4,412	72%	672	11%
Capital Development Expenditure	26,162	22%	21,103	81%	679	3%
Sub-total	119,642	100%	74,266	62%	39,678	33%
BPA Capitalization	10,500		10,500		10,500	
Total	130,142		84,766		50,178	

Source: Budget Execution Report, February 2006.

Reporting on spending against carry-overs could significantly improve quarterly budget execution reports and better capture the true rate of cash spending.

The rate of actual cash spending is higher than captured in quarterly budget execution reports, due to large carry-overs from previous budget years. Though the December 2005 quarterly budget execution report shows actual cash spending to be USD 38 million for the first half of FY06, accounting for spending against carry-overs increases this amount to about USD 57 million (see table 6).

Table 6: FY06 Cash-Basis Expenditures, Including Carry-Over

Expenditure Item	USD millions
Committed expenditure to first half of FY06 (current commitments)	70.9
Carry-over balance from first quarter of FY06 (previous commitments)	+ 32.2
Carry-over balance after second quarter of FY06	- 46.5
Total cash-basis spending after second quarter of FY06	= 56.6

Source: Ministry of Planning and Finance

Carry-overs generally apply to goods and services, minor capital, and capital development expenditures that must work their way through the procurement process, and may therefore take more than one budget year. Yet, even when a capital expenditure is expected to take place over multiple years, the entire amount is committed in the first year, and the commitment is carried over from year to year until its completion. In effect, the Government is implementing more than one budget each year – the current year's budget and expenditures committed from previous

⁸ Figures exclude capitalization of the Banking and Payments Authority.

year's budgets – but only the current year's cash expenditures are captured in quarterly budget execution reports. To accurately track budget execution, more information is needed to differentiate between commitments and cash payments and to gauge the execution of carry-over budgets, which will necessitate changes to the financial management information system.

Improved budget execution offers the potential for short-term poverty reduction.

In the short term, improved budget execution harbors great potential for poverty reduction, particularly in the case of goods and services and capital development expenditures. In health and education, budget execution is critical to improving both access to and quality of services in rural areas. Actual spending on road rehabilitation and expanding electricity and telecommunications services is essential to enable private sector development. Moreover, the construction associated with the execution of capital spending constitutes a boost to employment creation. A rough estimation reveals that the effective implementation of next year's proposed capital development budget of USD 79 million could create as many as 10,000 annualized low-skilled jobs.

The Government is working to improve budget execution.

The Government has begun to implement important measures to improve budget execution. An inter-ministerial commission was established in April 2004 to address delays in budget execution. MoPF has conducted a study on budget execution processes and the causes of spending bottlenecks, and has recently launched an in-depth study on obstacles to efficient execution of the capital development budget. In addition, the forthcoming Planning and Financial Management Capacity Building Program (PFMCBP) will focus squarely on improving budget execution. In some ministries, the Government has succeeded in boosting spending rates by assigning responsibility for execution of capital development budgets to staff and advisers who have developed capacity in processing capital expenditures through TFET projects.

Budget execution improvements depend on more efficient procurement processing.

Improvements in budget execution depend on addressing bottlenecks in procurement. In the past, procurement processes have been highly centralized, with limited understanding of guidelines and procedures in line ministries. The new procurement law, which entered into force in January 2006, promises to ease some of the burden on central procurement staff and to help reduce the time between commitment and actual payment by delegating procurement authority for purchases up to USD 10,000 to key agencies. This will represent up to 80 percent of total commitment and payment vouchers, and approximately 40 percent in procurement value. Improved delegation will allow MoPF staff to concentrate on capital development spending and high-value purchases of goods and services and minor capital. However, as the national budget continues to grow, it will also be critically important to recruit additional staff in the MoPF procurement unit to keep up with the increasing volume and value of procurement transactions, particularly in the area of capital development, and to keep track of current and past commitments, as well as the cash payments made against commitments across various years. In both MoPF and line ministries, capacity

building will be especially needed to strengthen procurement for large capital works projects.

The Proposed FY07 Budget

The proposed FY07 budget envisages another significant jump in spending, particularly on capital development.

The Government proposes a budget of USD 218 million in FY07, considerably higher than the current budget of USD 130 million (see table 7). As in the previous year, the largest increase is in the capital development budget, which is expected to grow from USD 26 million in FY06⁹ to USD 79 million in FY07, and from 22 percent to 36 percent of the total budget. Effectively implementing this increase in the capital budget would considerably contribute to improvements in services and creation of short-term employment in the districts, underlining the need for continued improvements in capital development budget execution.

Table 7: Proposed FY07 CFTL Spending by Ministry¹⁰

Ministries/Programs	FY06 Budget	FY06 MYBU	FY07 Proposed
Office of the President	595	681	1,016
National Parliament	1,381	2,112	3,457
Office of the Prime Minister and Presidency of the Council of Ministers	5,782	5,933	8,935
Ministry of Defense	9,780	9,820	22,391
Secretariat of State for the Council of Ministers	678	678	1,660
Ministry of State Administration	4,149	4,296	9,908
Ministry of Interior	1,458	1,368	4,109
National Police	8,726	9,133	8,477
Ministry of Development	453	583	1,776
Secretariat of State for Youth and Sport	442	502	2,944
Ministry of Justice	5,641	5,696	4,785
Ministry of Agriculture, Forests, and Fisheries	4,450	4,981	8,555
Ministry of Education and Culture	18,220	18,510	33,289
Ministry of Health	14,305	16,884	24,789
Ministry of Labor and Community Reinsertion	864	1,465	3,233
Ministry of Foreign Affairs and Cooperation	2,652	2,904	5,130
Ministry of Planning and Finance ¹¹	19,196	20,033	15,394
Ministry of Transport and Communications	2,617	2,617	9,677
Ministry of Natural Resources, Minerals, and Energy Policy	8,487	11,281	22,546
Ministry of Public Works	9,142	9,243	22,014
Judiciary	503	503	767
Provedor	83	93	401
Public Broadcasting Service of Timor-Leste	826	826	2,682
Total	120,430	130,142	217,935

Source: Ministry of Planning and Finance

The proposed FY07 budget remains pro-poor...

The budget for FY07 maintains a strong pro-poor focus. Expenditures on education and health are expected to grow significantly in dollar terms, though given the large overall budget increase their share of total spending will be smaller than in previous years. Spending on agriculture, forestry, and fisheries is expected to remain proportional to last year. Larger increases are foreseen in transport and communications, natural resources, and public works, which is appropriate given the Government's growing focus on improving infrastructure to boost

⁹ Figures exclude capitalization of the Banking and Payments Authority.

¹⁰ These numbers are provisional, reflecting the most recent MoPF figures.

¹¹ Figures include the Banking and Payments Authority.

economic growth and job creation. Budgets for the Office of the Provedor and the Public Broadcasting Service are four and three times higher, respectively, than in the previous year, showing a commitment to strengthening governance. The allocation for defense is expected to more than double, largely due to the planned purchase of ships.

...and introduces a new expenditure category for public grants.

Pro-poor spending is also reflected in the addition of transfer payments as a separate expenditure category. This new classification will include the Solidarity Fund and Community Development Fund under the Office of the Prime Minister, the Local Development Program under the Ministry of State Administration, and block grants to schools to replace the previous system of voluntary contributions. Careful monitoring of results will assist in scaling interventions up to a national level, and the ongoing second edition of the Timor-Leste Survey of Living Standards will offer a basis for improved targeting.

The Medium-Term Combined Sources Budget and Financing Options

The financing gap as previously defined no longer exists, and consistent with the savings policy, the Government could fund a budget of over USD 250 million per year...

From FY02 to FY04, the Government faced a financing gap of approximately USD 30 million per year, which was filled by the Transition Support Program, a multi-donor program of grant-financed budget support to the implementation of the NDP. Now, with Bayu Undan in full production, revenue sharing arrangements in place for Greater Sunrise, and oil prices at historically high levels, ***the financing gap as previously defined no longer exists.*** Based on appropriately conservative projections, and taking into account the Government's prudent savings policy for petroleum revenues as well as improvements in domestic revenue collection, the sustainable income is estimated at over USD 250 to 300 million per year, or roughly twice the FY06 budget. Approximately USD 30 to 40 million of the sustainable income is expected to come from non-petroleum revenues.

...but this would still not be enough to meet national development goals.

However, the ***currently sustainable budget will not suffice to implement the NDP or achieve the MDGs.*** As part of the SIP process, the Government has estimated that combined sources expenditures will need to grow to USD 400 million in FY15 to meet these goals. An expanded budget is justified by the country's development needs, particularly in reducing poverty, rebuilding infrastructure and stimulating economic activity to create jobs and spur the development of a vibrant private sector. Without the ability to fuel demand through exchange rate or monetary policy, in the short term the main impulse for non-petroleum growth is likely to come from an appropriately expansionary fiscal policy. Finally, the volatility of oil production and especially prices argues for a conservative approach.

The SIPs guide the alignment of the combined sources budget with the NDP.

The Government's Sector Investment Programs aim to align the combined sources budget to the NDP, clarifying sector goals (including national MDGs), policy and strategy, and medium-term investment and recurrent spending programs. In 2005, 15 of these SIPs were finalized and made publicly available. Following an extensive revision to reflect the new Government structure, updated budgets and donor

commitments, and new priorities, 17 updated SIPs are being released in agriculture, forestry, and fisheries; communications; education and training; external relations and cooperation; health; housing and urban development; local government and civil society; natural resources and environment; other pillars of state; power; private sector development; public sector management; rights, equality, and justice; security, peace building, and reconciliation; social, civil, and heritage protection; transport; and water supply and sanitation.

The Government has requested budget support through FY08 to assist in shifting off-budget expenditures on budget.

In order to improve combined sources budget planning in support of the NDP and SIPs, the Government plans to shift a greater proportion of off-budget spending on budget. The Government has asked development partners to continue budget support through FY08 under the CSP, in order to support this shift. Should the Government succeed in improving budget execution considerably, donors may consider a further shift to general or sectoral budget support.

Development partners are committed to partnership and harmonization.

To achieve the MDGs, as well as the goals set out in the NDP and SIPs, the Government and development partners have embraced the principles of partnership and donor harmonization. Implementation and monitoring of SIPs will take place through eleven joint Government-donor Sector Working Groups (SWG) in agriculture; education and training; external relations, security, peace, and reconciliation; health care; infrastructure; local development; natural resources and environment; private sector development; public service; rights, equality, and justice; and social, civil, and heritage protection. Throughout March 2006, and in preparation for the TLDPM, the various SWGs have met to discuss sector priorities and activities in advance of FY07 budget preparation. The Government has indicated its support to increased harmonization with country systems and among donors, and has issued guidelines for donor collaboration. The partnership approach is well embedded in the CSP, and has been adopted in the design of the forthcoming PFMCBP, the Primary Education Support Program, and support to the justice sector. In the context of the CSP, donors have agreed to support the elaboration of a comprehensive and accurate combined sources budget by providing the Government with detailed information on annual and medium-term financing commitments, with appropriate classifications and on a time schedule that fits within the Government's budget cycle. While some progress has been made in this area, there is a continuing need for development partners to provide disaggregated data on planned recurrent and capital spending.

CAPACITY BUILDING

Institutional capacity continues to be weak in Timor-Leste.

Fostering sustainable growth and poverty reduction through successful implementation of the NDP and SIPs will depend on strengthening capacity in key areas, such as public financial management and justice. Though the Government has made great strides, institutional capacity remains weak in Timor-Leste. Low levels of education and professional experience have led to a shortage of technical expertise. The scarcity of skills in accounting, auditing,

economics, and legal drafting has been reflected in the Government's difficulties recruiting qualified personnel across sectors. For staff already in the civil service, there is a lack of familiarity with new and changing systems and processes. Well performing sectors have benefited from strong national leadership with a clear vision. Early on, these agencies adopted sound policies and strategies and developed institutional and legal frameworks, allowing them to function within a clear structure in pursuit of well defined goals.

Though many early capacity building efforts focused on getting critical systems up and running quickly, they have left behind a legacy of heavy reliance on international advisers who have often focused on in-line tasks rather than skills transfer. This situation gained a note of urgency as the United Nations Mission in East Timor was scaled back considerably in May 2005. Since then, the Government has worked with the smaller United Nations Office in Timor-Leste (UNOTIL) to ensure a smooth handover of functions, especially in the areas of justice and public financial management. Timor-Leste is now moving beyond the transitional substitution of international for local expertise and focusing on a more integrated approach to institution building. Under the leadership of the CDCU, the Government has adopted a capacity building strategy that relies on three inter-related pillars: skills and knowledge, systems and process, and attitudes and behaviors.

Under the leadership of the CDCU, the Government is shifting from a reliance on international advisers to the development of national staff.

A new multi-donor program of capacity building in planning and financial management has been approved...

...and will draw on the CDCU framework to provide sustainable development of skills and knowledge, systems and processes, and attitudes and behaviors across Government agencies.

Based on this integrated framework, and with the expectation of a further reduction in international advisers following the downgrade and eventual withdrawal of UNOTIL, ***the Government requested that development partners support a program of capacity building in planning and financial management.*** In response, the PFMCBP aims to sustainably strengthen planning, budgeting, public expenditure management, and revenue administration for growth and poverty reduction. The program will focus on providing international staff where necessary, recruiting national staff as needed, and developing the ***skills and knowledge*** of national staff so that they are able to perform their jobs efficiently and effectively. In addition, the PFMCBP aims to improve the ***systems and processes*** governing the flow of work within MoPF and between MoPF and line ministries, districts, and the private sector. The program will work to strengthen ***attitudes and behaviors***, such as managing change, building professional integrity, encouraging communication and cooperation, and developing a strong work ethic. Finally, the PFMCBP will address important cross-cutting aspects of capacity building, including leadership and management, delegation of authority, transparency and accountability, and training in basic skills that are needed across the civil service. PFMCBP activities were elaborated in a participatory and demand-driven manner and will be implemented as part of a multi-donor program closely tied to the CSP. The World Bank's contribution to the program was approved by the Bank's Executive Board in March 2006, and with support from development partners, implementation is expected to begin implementation around May 2006. Out of a budget of USD 37 million

over five years, approximately USD 16.5 million has been committed to date.

Transitional arrangements are urgently needed to ensure the continued functioning of the justice sector, while national staff undergo training.

With the upcoming withdrawal of UNOTIL in May 2006, there is an urgent need for a transition strategy to ensure that recent efforts to support court system performance are not lost. International support has also been critical to the functioning of the justice sector. The Justice Sector Program (JSP), supported by the UNDP, has continued to prepare national professionals at the Judicial Training Center (JTC). A first group of candidate judges, prosecutors, and defenders is expected to complete theoretical training (including human rights and gender issues) by the end of May 2006. Of the 40 participants who initiated the program, 27 continue. Based on evaluation results, probationary judges, prosecutors and defenders will be appointed in mid-2006 to work with the international court actors for a one-year period. Official appointment of national judges, prosecutors and defenders is scheduled for mid-2007 on completion of the probationary phase. A second group of 15 candidates has started JTC training. In advance of UNOTIL's closure in May 2006, the JSP has taken on the responsibility of funding the international posts of seven judges, four prosecutors, four defenders and two court clerks to sustain operation of the courts until national professionals complete their training. Out of a budget of USD 10.3 million over three years, USD 3 million has been committed to date. It is expected that a similar amount will soon be secured, which should allow for the continuation of the project. It will be critical, however, to obtain funding for the balance by 2007.

Management of the 2007 elections will require capacity building and technical advice.

Preparations for the 2007 Parliamentary and Presidential elections have created an emerging need for capacity development. Policy decisions will need to be made regarding the design of the electoral system and the number of constituencies, which would best be undertaken through broad policy discussions involving all political parties in order to create consensus and assure the credibility and legitimacy of the election process. Technical advice will also be needed in the drafting of the electoral law and to address legal questions as they arise. For the National Electoral Commission (CNE) to be effective, it will require more election staff, training, equipment, and materials. The few days of training provided for the 2005 local elections proved insufficient, although observers noted significant improvements over the 18 month course of the local elections. Recognizing the responsibilities associated with the implementation of democratic elections, the Government has requested that the development of an electoral legal framework and the provision of adequate resources be integrated into its next annual program and reflected in the CSP II results matrix.

Annex 1: Status of CSP I (FY2006) Original Programmed Actions

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
Section A.1. Governance Strengthening Oversight Institutions				
A.1.1	Provedor appointed (by end Sept)			
Section A.2: Governance – Core Government Functions				
A.2.1	Adequate full-time support for harmonization of laws (by end Sept)			
	Draft proposal for policy and legislative process submitted to CoM (by end Dec)			R
	Manual and guidelines developed on new policy and legislative process for all relevant entities			R
A.2.2	10 summary reports of investigations published on the OIG website (by end Sept)			
	5 summary reports of investigation published on the OIG website (by end Dec)			
	OIG initiates at least 6 new investigations (by end Dec)			
	OIG Organic Law approved by CoM including competencies, reporting requirements and referral of criminal cases (by end Dec)			
	TOR for options study on integrity instruments including income and assets completed (by end Sept)			
	Options study submitted to CoM (by end Dec)			
A.2.3	TOR for transition study on audit arrangement completed (by end Sept)			
	Transition study submitted to Court of Appeals and CoM (by end Dec)			R
A.2.4	Schedule of meetings between Government and media, and civil society underway (by end Sept)			
	Council of Ministers press release was available in Tetun (by end Sept), needs to be reinstated			
	Preliminary draft framework on freedom of information prepared and subject to consultations (by end Dec)			
A.2.5	Investment Advisory Board members appointed and operational (by end Sept)			
	ETRS and Macroeconomics Unit recruit suitable local staff (by end Sept)			R
	Consultative Council appointed and operational (by end Dec)			
	5-year capacity-building program designed for petroleum taxation (by end Dec)			
Section A.3: Governance – Public Sector Management				
A.3.1	In-depth study on selected option on local governance submitted to CoM (by end Sept)			

¹² Outputs and indicators described here are from the original Result Matrix (from March 2005 mission). Please see Section D: CSP I Result Matrix-Updates for revised activities.

¹³ Activities that have been completed or are expected to be completed by March 31, 2006.

¹⁴ Activities that have/will be commenced or are expected to be completed by June 30, 2006.

¹⁵ Activities to be re-scheduled for CSP II (R) or deleted (D).

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
	CoM approves proposal defining the roles, function, composition, dimensions of the new decentralized structure (by end Dec)			R
A.3.2	Manual on disciplinary procedures submitted to CoM and approved (by end Sept/Dec)			R
	Technical advisers in place for career development and pay structure (by end Sept)			
	Approval of regulation on supervisory accountability (by end Dec)			R
	Approval of regulation on criteria and impartial process for evaluating civil servants (by end Dec)			R
A.3.3	DP funding secured for PMIS (by end Sept)			
	Winner of the PMIS starts the implementation of PMIS (by end Sept)			
	Implementation of PMIS (25 % of the civil service's data entered in the PMIS) (by end Dec)			
A.3.4	QMRs begin including a section on barriers to performance, and problem-solving (by end Sept)			
	Plans for LSMS, PPA, Suco census and poverty mapping finalized (by end Sept)			
	Resources for poverty assessment mobilized and available (by end Dec)			
	Piloting of LSMS completed (by end Dec)			
	Preparation for field work (for participatory assessment) completed (by end Dec)			
	NDP Review protocol finalized and in process (by end Sept/Dec)			R
A.3.5	Gender integrated into SIPs (by end Sept)			
	NDPEAC staff equipped GM tools (by end Sept)			
	Key gender issues identified through analysis of sex-disaggregated data in MoH and MoEC (by end Dec)			
Section A.4: Governance – Strengthening the Justice Sector				
A.4.1	Human resource training, recruitment, and succession plan finalized			
	Funding mechanism established, donors identified, essential commitments for FY06 obtained (by end Sept)			
	Long-term human resource development plan finalized (by end Dec 05)			
	Ongoing training of 27 national court actors through JTC (by end June 06)			
	Process of designing case management system based on existing civil and criminal procedure started (by end Sept)			
	Ongoing reinforcement of procedure based on new procedural codes (by end Sept).			
	Case management system design finalized (by end Dec)			R

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
	Quarterly prosecution, court, and prison statistics publicized (by end Dec)			
	Recruitment of administrative staff for OPG (by end Sept)			R
	System for case assignments reviewed (by end Sept)			
	Staff training commenced (by end Dec)			
	SCPP appointed (by end Dec)			
	Development of improved administrative, financial, and procurement policy for CoA, MoJ, and OPG commenced (by end Sept)			R
	Collaboration with MoPF to improve expenditure (by end Dec)			
	Weekly court schedules posted in all courts (by end Dec)			
	Analysis of GBV cases undertaken (by end Sept)			R
	Draft law on domestic violence approved by CoM and submitted to parliament (by end Sept)			R
	Plan for gender training for court actors completed (by end Dec)			
	13 public defenders assistants recruited (by end Sept)			
	Training for public defender assistants in JTC commenced (by end Sept)			R
	Disciplinary body for public defenders as defined by law established (by end Dec)			
	Plan for public information regarding PD function completed (by end Dec)			
	Compilation of laws started (by end Sept)			R
	Creation of abstracts of laws initiated (by end Sept)			R
	Public info plan completed (by end Sept)			
	Visits to 20 districts/sub-districts (by end Dec)			
	With V-M for development and environment, public information on laws related to private sector development (by end Dec)			
Section A.5: Governance – Strengthening the Police Services				
A.5.1	Training strategy includes gender sensitivity and community oriented principles (by end Sept)			
	Evaluation and revision of training courses, policies, and procedures to ensure COP principles and inclusion of gender sensitivity in all police policies, procedures and training courses (by end Dec)			
	Ongoing training provided on Community Oriented Policing and gender sensitivity			

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
	Community awareness programs and community consultation mechanisms operating at 4 pilot sites (by end Dec)			
A.5.2	Promulgation of the law on police discipline (by end Sept)			
	Stakeholder consultation on the independent review commission including civil society and the Provedor (by end Sept)			
	PNTL Professional Ethics Office (PEO) procedures and policies under review to reflect the law on discipline (by end Dec)			
	PEO staffing and training requirements identified and documented (by end Dec)			
	PEO Policies and Procedures review completed (By end March)			
	(PEDU) Procedures and policies under review to reflect the law on Discipline (By end of Dec)			
	Review of investigations into complaints about police conducted.(By end March)			
	Investigations being initiated by independent commission where appropriate (By end of March)			
	Ongoing training for PNTL PEO members (By end of March)			
	Liaison mechanisms established with Provedor (by end Dec)#			
	Liaison mechanism between National Investigations Unit & the Office of the Provedor established (by end March)#			
	Policy outline developed based on consultation with stakeholders and drafted (by end Dec)			
	Draft policy reviewed with stakeholders (by end Dec)			
	Stakeholder consultation is continuing (By end of March)			
	PNTL Manual development process begun			
	Identification of most appropriate liaison and coordination approach (by end Sept)			
	Mechanism established (By end of March)			
A.5.3	Design objectives and components for case study on gender mainstreaming identified and outline completed (by end Sept)			
	Case study part I: PNTL gender analysis completed (by end Dec)			
Section A.6 : Governance – Planning and Public Expenditure Management				
A.6.1	Capacity Building Program finalized and approved by GoTL (by end Sept)			
	Capacity building program implementation arrangements confirmed (by end Dec)			
	Agreement reached on successor arrangements for critical TA posts (by end Sept)			
	Job descriptions for critical posts written & approved and recruitment process agreed (by end Dec)			

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
A.6.2	Sectoral FY06 donor figures by economic classification with indicative medium term commitments (by end Sept)			D
	Agree key staff & systems to be in place for delegation to be effective (by end Sept)			R
	Procurement decree law submitted to CoM (by end Sept)			
	Procurement decree law approved by CoM (by end Dec)			
	FY 2006 budget published, available on the government website and distributed to districts (by end Sept)			
	FY 2005 audited account published, available on the government website and distributed to districts (by end March)			
	Half-year reports by MAFF, MoH, MEC & MPW on spending versus appropriations (by end Dec)			
	Improved rules agreed for district access to resources (by end Dec)			R
A.6.3	External audit of state accounts for FY04-05 in progress (by end Sept)			
	Q1 Budget Execution report published and sent to Parliament and DAs (by end Dec)			
	Audit statement and Management Letter submitted to the Government (by end Dec)			
	Citizens Guide to Budget published (by end Dec)			
Section B.1 : Service Delivery for Poverty Reduction – Health				
B.1.1	DPT3 rate 46% and Measles rate: 46% (by end Dec)			
	Percentage of deliveries attended by skilled health staff: 29% by Dec 31 (by end Dec)			
	Outpatient visits per capita: 2.07 (by end Dec)			
B.1.2	Hospital expenditure less than or equal to 40% of CFET recurrent budget (by end Dec)			
	FY05/06 initial hospital annual activity plan finalized based on initial services package and monitoring tool agreed (by end Sept)			
	1st Quarter review of hospital AAPs & actions agreed (by end Dec)			
	Hospital Services package finalized (by end Dec)			
	Finalize hospital FY07 AAP using revised services pkg (by end Dec)			
	Donor budgets supplied by project in agreed format (by end Dec)			
	Follow-up of DHP monitoring reports & identification of actions and support needed to address implementation constraints (by end Sept)			
	Tools for six-monthly reporting designed and disseminated (by end Dec)			
	Follow-up of DHP implementation and identification and support for implementation issues (by end Dec)			

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
	At least quarterly meeting of MOH and DHOs to review reports (by end Dec)			
B.1.3	Initial TOR for MoH organizational review finalized (by end Sept)			
Section B.2 : Service Delivery for Poverty Reduction - Education				
B.2.1	Capacity Building Action Plan drafted, approved and first phase started (by end Dec) will be completed by end of June 06			
	UPC Action Plan drafted and underway (by end Dec)			
	Reorganization plan approved (by end Dec) Expected to be approved by end of March 06			
B.2.2	Technical staff recruited (by end Sept)			
	ToR for school finance policy review approved and carried out (by end Dec) will be completed by end of March 06			
	Work plan for improving budget execution rates prepared; TA identified and on-the-job training plan prepared (by end Dec)			
B.2.3	Internal discussions on teacher training for multi-grade classes started (by end Sept)			
	UPC Action Plan drafted (by end Sept)			
	Revised comprehensive teacher training program approved (by end Dec) Revised comprehensive teacher training program drafted by end of June 06. By end of March: Teacher competencies framework drafted			
	Policy on learning materials drafted and appraised by MoEC (by end Dec) expected by end of March			
Section B.3 : Service Delivery for Poverty Reduction -Infrastructure- Power				
B.3.1	TA for preparation of strategy reports secured (by end Sept)			
	Central take-over of rural systems (by end Sept)			R
	Recovery plan prepared and approved (by end Dec)			
	20% of community systems in operation (by end Dec)			R
	Design of business models for electrification pilots at two districts finalized			
B.3.2	Monitoring loss system set up and Theft detection teams mobilized (by end Sept)			
	Plan for full timely payment of Government dues (by end Sept)			
B.3.3	Policy and Plan for purchase of fuel for electricity generation, storage and delivery to power plants developed and implemented (by end Sept)			
B.3.4	Agreement on schedule/logistical arrangements for implementation of Legal Regulatory and Institutional Study (by end Dec)			
Section B.3 : Service Delivery for Poverty Reduction -Infrastructure- Transport				
B.3.5	Roads, bridges and river embankment construction (rehabilitation) and maintenance (by Dec. 31): (i) All MoPW regional engineers rotated; (ii) Agree procurement turnaround deadlines with Procurement Division, MoPF			

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
B.3.6	Strengthened local contractor industry			D
B.3.7	Five road strategy/investment program (by Dec. 31): (i) Agreement on Road Sector Improvement Project feasibility study recommendations; (ii) Time-bound implementation program agreed			
Section B.3 : Service Delivery for Poverty Reduction -Infrastructure- Water Supply and Sanitation				
B.3.8	Legal and institutional framework for water and sanitation (by Dec. 31): (i) Preparations to mobilize consultants for the infrastructure sectors capacity development project and for the DNAS organization development plan			
B.3.9	Establish a DNAS performance benchmarking systems (by 31 Dec.): (i) Trial performance benchmarking system under preparation			
B.3.10	Improve rural and urban water supplies to Timor-Leste residents and businesses (by 31 Dec.): (i) The draft Watsan SIP report for FY07 describes a policy framework for defining WS service levels/targets			
B.3.11	Improve rural and urban wastewater management and solid waste management [urban drainage is no longer handled by DNAS (by end Dec)]; (i) The draft Watsan SIP report for FY07 describes a policy framework for defining WWM and SWM service levels/targets			
Section B.4 : Service Delivery for Poverty Reduction -Vulnerable Groups (Veterans Issues)				
B.4.1	Registration of veterans of the civilian resistance under CAQR complete (by end Sept)			
	Veterans law, including use of database, approved by Parliament			
	Recognition measures as defined by law commenced			R
	Definition of veterans policies and programs by DNV according to law, commenced (by end Dec)			R
	Database (CAAC-CAVF and CAQR) transferred to DNV (by end Dec)			
	Study for house project completed (by end Dec)			
	Development of professional training for DNV staff (by end Dec)			
Section C.1 : Job Creation – Private Sector Development				
C.1.1	Continue preparatory training of migrant workers (by end Sept)			
	Number of overseas workers per sector monitored (by end Dec)			
C.1.2	4 Government-PS Working Groups meetings (by end Sept)			
	1 Business Forum held, resulting in increased awareness of procedures and challenges (by end Dec)			
	Notarization and registration functions assumed by MoJ and BRU (by end Sept)			R
	International system of classification of businesses adopted by MoJ (by end Dec)			D ¹⁶
	Law on equipment leasing drafted (by end Dec)			R

¹⁶ This task has been shifted to MoD – ongoing.

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
C.1.3	Continuing training in entrepreneurship through BDCs and training by private orgs, secondary and tertiary educational institutions (by end Sept)			
C.1.4	Foreign and domestic investment information management system set up (by end Sept)			R
	IEPA fully operational, with MoJ authorization (by end Dec)			
C.1.5	Community Based Maintenance roads program capturing and recording job creation statistics (by end Sept)			
C.1.6	Land Law submitted to NP and approved (by end Sept) ¹⁷ :			
	1) Implementation of Land Registration System			R
	2) Land Rights & Title Restitution			R
	3) Foreign Owner Compliance with Constitution			R
	• Research reports on Natural Resources and Agricultural Use of Land completed (by end Sept)			R
	• Draft Decree Law on Cadastral Act sent to CoM (by end Dec)			R
	a. Draft on policy and proposal on administration and sale of state-owned property (by end Dec)			R
Section C.2 : Job Creation – Agriculture				
C.2.1	Forestry Policy and Strategy revision in progress (by end Sept)			Policy finalized and Laws in progress
	MIS Database design in progress (by end Sept)			R
	Food security monitoring system in MIS database (by end Dec)			R
	Protocol established for food security data collection (by end Dec)			
	Baseline and seasonal surveys in progress (by end Dec)			R
C.2.2	Begin to issue licenses for boats (by end Sept)		Offshore	Artesanal licensing ongoing
	MCS system designed and agreed, training in progress, and reporting databases developed (by end Dec)		MCS system designed and costed by June 06	R
	Review of international models for extension services on an integrated, watershed basis (by end Sept)		Ongoing	R
	Pilot studies designed (by end Dec)		Ongoing	R
C.2.3	Drafting of National protocols for planting materials drafting in progress (by end Dec)			R – requires legislation
	Results from 2004-05 harvest analyzed and published (by end Sept)			
	Planting materials for 2005-06 in store (by end Sept)			

¹⁷ 1), 2), and 3) will be merged as one law.

CSP I	Output/Indicator and Target ¹²	Completed by March 31 ¹³	In Progress ¹⁴	Re-scheduled to CSP II (R) or deleted (D) ¹⁵
	Extension program to farmers design in progress (by end Sept)			
	Consultations/ planning for 2005-06 testing program (by end Dec)			
	New varieties being distributed (by end Dec)			

Annex 2: Second Consolidation Support Program, DRAFT FY2007 Results Matrix

Program Components (NDP Goals, Ministry AAP)	Expected Outputs and Outcomes (FY06-07)	Performance Indicators and Targets (FY06-07)	Expected Outcomes (FY07-08)	Agency/ Donor Responsible	Achieved by 30 Sept 2006	Achieved by 31 Dec 2006	Achieved by 31 March 2007	Achieved by 30 June 2007
GOVERNANCE – ENSURING ELECTORAL ACCOUNTABILITY								
Ensure electoral accountability <i>(NDP page 21,22)</i>	<ul style="list-style-type: none"> General Election conducted in accordance with the Constitution and the Electoral law 	<ul style="list-style-type: none"> Policy and legislative process followed by all entities Such organic Laws as are necessary for Ministries are approved 	<ul style="list-style-type: none"> Strengthened democracy and efficient, effective transfer to new mandate 	Ministry of State Administration	<ul style="list-style-type: none"> Draft Electoral Laws approved by the Council of Ministers; submitted to national Parliament and available for public discussion Resources for General Election available under national budget 	<ul style="list-style-type: none"> Electoral Laws approved by National Parliament and promulgated by the President Electoral officers trained 	<ul style="list-style-type: none"> Election for National Parliament completed 	<ul style="list-style-type: none"> Election for President completed
SECTION A.1: GOVERNANCE – STRENGTHENING OVERSIGHT INSTITUTIONS								
A.1.1 Raise awareness of citizens' rights and respect for rule of law, defend citizens from abuse of power by public administration; and safeguard against corruption and nepotism. <i>(NDP pages 109 and 111-112)</i>	<ul style="list-style-type: none"> Fully-functioning Office of the Provedor: staff complement increased to levels approved by Parliament, office fully equipped and operational capacities developed Liaison established with key institutional partners: OIG, Prosecutor General's Office, PNTL, etc Development of education and information campaign and materials 	<ul style="list-style-type: none"> Completion of staff recruitment and continuing training of existing and new staff members Increased cooperation and coordination of mandates with institutional partners Training in targeted agencies: PNTL, Prisons, FDTL, Customs Continuing information campaigns and public outreach in districts and Dili 	<ul style="list-style-type: none"> Increased access to information relating to citizens rights Increased nationwide understanding of Provedor's function Opening of District Offices, supported by increased staff and facilities 	Office of the Provedor de Direitos Humanos e Justica (WB; USAID)	<ul style="list-style-type: none"> Establish framework for co-operation with institutional partners and develop joint workshops Human rights monitoring systems established at 3 prisons and in districts Develop information materials Basic operating equipment fully procured and installed Anti-corruption investigations proceed 	<ul style="list-style-type: none"> Procedural Memorandum of Understanding with institutional partners agreed Complete training for targeted government agencies: PNTL, Prisons, FDTL, Customs etc Staff recruitment complete and office fully equipped Procedures and manuals completed 	<ul style="list-style-type: none"> Strengthen good governance and anti-corruptions efforts Establish library Office of Provedor capable of taking appropriate action on all public complaints 	<ul style="list-style-type: none"> Operationalize human rights monitoring Annual Report submitted to Parliament

Program Components (NDP Goals, Ministry AAP)	Expected Outputs and Outcomes (FY06-07)	Performance Indicators and Targets (FY06-07)	Expected Outcomes (FY07-08)	Agency/ Donor Responsible	Achieved by 30 Sept 2006	Achieved by 31 Dec 2006	Achieved by 31 March 2007	Achieved by 30 June 2007
		<ul style="list-style-type: none"> • Number of complaints received vs. number acted upon 						
SECTION A.2: GOVERNANCE – CORE GOVERNMENT FUNCTIONS								
<p>A.2.1.a: Ensure implementation of annual legislative program;</p> <p>A.2.1.b State entities and Ministries operating on consistent and lawful basis (NDP page 119)</p>	<ul style="list-style-type: none"> • Policy and legislative process approved • Prosecutor General and OIG operating with full powers, ministries have full powers to carry out their functions 	<ul style="list-style-type: none"> • Policy and legislative process followed by all entities • Such organic Laws as are necessary for Ministries are approved 	<ul style="list-style-type: none"> • Clear legislative timetable reflecting Council of Ministers' priorities established; availability of draft laws and consultation on key laws • All entities fully empowered and operating on consistent and lawful basis 	SSCoM (UNDP, AusAID)	<ul style="list-style-type: none"> • Technical Working Group established under SSCoM to develop legislative process 	<ul style="list-style-type: none"> • Draft policy and legislative process submitted to CoM • Manual and guidance developed • On new policy and legislative process • Most urgent organic laws decreed 	<ul style="list-style-type: none"> • SSCoM provides guidance/feed-back to Ministries on legislative process, following CoM priorities, quality of policy content, and need for consultation on important laws 	<ul style="list-style-type: none"> • Legislative program is time-tabled and priorities assigned • All organic laws required for ministries decreed
<p>A.2.2: Create a lean, effective, and efficient civil service free of corruption and nepotism. (NDP pages 21, 107, 138)</p>	<ul style="list-style-type: none"> • Organic Law on Office of the Inspector General passed • Summary reports on investigations, inspections, and corrective measures published and widely disseminated • OIG develops risk-based inspection program once Organic Law is passed conferring new powers 	<ul style="list-style-type: none"> • Four reports per quarter completed on investigations, audits or inspections followed by monitoring of implementation of recommendations • OIG initiates 3 investigations • OIG refers cases to P-G where warranted • Vacancies filled and continuing training enhancement of staff 	<ul style="list-style-type: none"> • OIG reinforces integrity and accountability through inspections and investigations, recommendations are implemented and reports are published 	Office of Inspector General (WB; UNDP)	<ul style="list-style-type: none"> • OIG Organic Law approved by CoM including competencies, reporting requirements and referral of criminal cases • OIG trains line ministry inspectors on standard investigation techniques • Summary reports published in Tetun NB All items referring to program of inspections depend on the Organic Law 	<ul style="list-style-type: none"> • OIG develops an initial risk based program of inspections of ministries • At least two workshops for district offices completed on transparency, accountability and anti-corruption 	<ul style="list-style-type: none"> • OIG initiates at least 2 inspections of ministries according to risk-based program 	<ul style="list-style-type: none"> • Inspection of one ministry completed, results discussed and remedial actions agreed; two further inspections initiated • At least two workshops for district offices completed on transparency, accountability and anti-corruption

Program Components (NDP Goals, Ministry AAP)	Expected Outputs and Outcomes (FY06-07)	Performance Indicators and Targets (FY06-07)	Expected Outcomes (FY07-08)	Agency/ Donor Responsible	Achieved by 30 Sept 2006	Achieved by 31 Dec 2006	Achieved by 31 March 2007	Achieved by 30 June 2007
	<ul style="list-style-type: none"> Options study on income and asset register and other instruments to fight corruption in Timor Leste completed Asset register regime decided on Whole of government priorities for integrity enhancements widely discussed 	<ul style="list-style-type: none"> Study published and discussed within government and with civil society – recommendations presented to CoM and (if warranted) draft law to Parliament Asset register for Petroleum Fund's Investment Advisory Board members established 	<ul style="list-style-type: none"> A light system for disclosure established and enforced for selected officials of the State 	Minister for State Administration (MSA), Inspector-General (WB)	<ul style="list-style-type: none"> Draft Integrity Instruments Options Study discussed within MSA and other central ministries prior to submission to CoM 	<ul style="list-style-type: none"> Study published and discussed with civil society Minister for SA and Inspector General send submission to CoM on Integrity Instruments and Asset Registers 	<ul style="list-style-type: none"> Regulations developed for Asset Registers and any other approved integrity measures 	<ul style="list-style-type: none"> Asset Register for Petroleum Fund's Investment Advisory Board Established Implementation begins on any other Asset registers and integrity measures approved
A.2.3: Ensuring adequate oversight over public funds through independent audit (NDP pages 5, 24, 59-63)	<ul style="list-style-type: none"> Transfer of external audit arrangements from Treasury decided, Audit Committee established, services contracted, and creation of capacity for management of external audit contract commenced 	<ul style="list-style-type: none"> Capacity of Court of Appeals to handle audit increased Audit schedule for government not disrupted Review of audit coverage commences 	<ul style="list-style-type: none"> Independent audit arrangements in place, with continuing services contracted if needed, Audit Committee established and chaired by President of Court of Appeals 	Court of Appeals/ MoPF (WB)	<ul style="list-style-type: none"> Draft report on transition study submitted and discussed 	<ul style="list-style-type: none"> Final report on transition study submitted to President of Court of Appeals & CoM 	<ul style="list-style-type: none"> Any feasible proposed steps on 2005-06 audit agreed and services contracted Audit Committee nominated 	<ul style="list-style-type: none"> Audit Committee decides on 07/08 audit and capacity development program
A.2.4 Nurturing a responsible, independent and effective media (NDP pages 107,109)	<ul style="list-style-type: none"> Government commences discussion on media and freedom of information issues with leading journalists, media owners and public Government operates in increasingly transparent manner 	<ul style="list-style-type: none"> Process established of monthly press bulletins issued by Government Freedom of Information framework available 	<ul style="list-style-type: none"> Legal framework for freedom of information developed and implemented 	Minister on the Presidency of the Council of Ministers	<ul style="list-style-type: none"> Schedule of meetings between Government and media, and civil society underway Cabinet press release available in Tetum GIO technical training in communications to each ministry Award for Training in communications extended to districts and sub-districts 	<ul style="list-style-type: none"> Legal adviser on draft media law appointed Drafting committee set up to prepare freedom of information framework and guidelines for all State entities and dissemination to public including at village level 	<ul style="list-style-type: none"> Preliminary consultations held on draft framework and policy for dissemination of information Cabinet press release continue to be available in Tetum 	<ul style="list-style-type: none"> Briefings on cabinet meetings provided on radio Gazette available in Tetum Access to radio and TV extended for rural population

Program Components (NDP Goals, Ministry AAP)	Expected Outputs and Outcomes (FY06-07)	Performance Indicators and Targets (FY06-07)	Expected Outcomes (FY07-08)	Agency/ Donor Responsible	Achieved by 30 Sept 2006	Achieved by 31 Dec 2006	Achieved by 31 March 2007	Achieved by 30 June 2007
A.2.5 Effectively manage oil and gas revenues and savings to benefit present and future generations (NDP pages 7, 24, 30, 67, 78-79, 89-91, 213)	<ul style="list-style-type: none"> • Successfully implement the Petroleum Fund and savings policy • Strengthened skills, staff numbers and international support for ETRS Timor Sea Revenue Division, MoPF Dept of Economic and Financial Policy (ex-Macroeconomic Unit); BPA; and Parliament 	<ul style="list-style-type: none"> • Petroleum Fund key decisions and issues explained in Budget, IAB, BPA and Consultative Council reports • Ongoing Public dissemination of information and consultation on the Petroleum Fund, including real time press releases on draw-downs from Petroleum Fund, in line with Govt. policy on information dissemination • Capacity building program under implementation 	<ul style="list-style-type: none"> • Successfully implement the Petroleum Fund and savings policy, channeling allowed expenditure solely through the budget approved by Parliament for the benefit of present and future generations • Effective collection of Timor Sea revenues 	MoPF, BPA, Parliament, Consultative Council, IAB (Development Partners)	<ul style="list-style-type: none"> • Strategic five-year recruitment strategy and training timeline adopted for Dept of Ec. and Fin. Policy, incl. macroeconomic, fiscal and tax policy staff • Staff member assigned as part-time Secretariat for IAB • Determine data needs of Dept. of Ec and Fin Policy and identify data sources • Consultative Council announces work program • Five-year capacity building program underway for ETRS, BPA, and MoPF 	<ul style="list-style-type: none"> • Initial posts advertised and filled; training commences • Scholarship program adopted • Exploratory meetings in MoPF leading to design work on data access and exchange between Dept of Ec. and Fin. Policy, NDPEAC, Statistics, and Treasury 	<ul style="list-style-type: none"> • Further posts advertised and filled; training commences • Exploratory meetings to explore collaboration on data access and exchange with relevant ministries and agencies, leading to design work to set up electronic access 	<ul style="list-style-type: none"> • Five new staff competitively recruited to Dept of Ec. and Fin. Policy • Candidates for scholarships selected • Design work underway for electronic links for data access and exchange
SECTION A.3: GOVERNANCE – PUBLIC SECTOR MANAGEMENT								
A.3.1: Decentralize government and empower communities to manage their local affairs (NDP pages 40,44 and 138)	<ul style="list-style-type: none"> • Legislative and regulatory framework for civil service in place and applied • Civil service career development and pay structure established 	<ul style="list-style-type: none"> • Capacity building for governance, management and financial accountability completed for pilot projects 	<ul style="list-style-type: none"> • Draft policy and implementation plan for Local Government approved by CoM for widespread consultation; legislation being prepared. 	MSA/NDTA (Ireland, UNDP)	<ul style="list-style-type: none"> • Policy paper for Local Government approved by CoM 	<ul style="list-style-type: none"> • Draft Local Government Act prepared 	<ul style="list-style-type: none"> • Draft Local Government Act widely discussed, finalized and submitted to CoM 	<ul style="list-style-type: none"> • Draft Local Government Act submitted to Parliament
A.3.2: Development of the legal and regulatory framework for the civil service	<ul style="list-style-type: none"> • Public Service Statute supplementary legislation and regulations disseminated including disciplinary regulations and manual 	<ul style="list-style-type: none"> • Delegation and accountability principles and procedures for supervision and management established • Training in duties of civil servants, conflict of interest; and codes 	<ul style="list-style-type: none"> • Legislative and regulatory framework for civil service in place and applied • Civil service career development and pay structure established 	MSA/NDPS (UNDP, WB, Australia)	<ul style="list-style-type: none"> • Impartial evaluation criteria and methodology for civil service evaluation incl. National Commission agreed • Regulations on evaluation, discipline, and pay structure with appropriate scales and remuneration for 	<ul style="list-style-type: none"> • Regulations on evaluation and pay structure approved • Implementation plan developed for joint implementation of evaluation and new pay structure • Consultation on regulation on supervisory 	<ul style="list-style-type: none"> • Process started of civil service evaluation in relation to new pay and grading structure • Training of civil servants on new regulations • Other regulations required to implement Civil 	<ul style="list-style-type: none"> • Regulation on career development prepared and discussed • Training continues on new regulations • Disciplinary Code and Manual implemented in all ministries

Program Components (NDP Goals, Ministry AAP)	Expected Outputs and Outcomes (FY06-07)	Performance Indicators and Targets (FY06-07)	Expected Outcomes (FY07-08)	Agency/ Donor Responsible	Achieved by 30 Sept 2006	Achieved by 31 Dec 2006	Achieved by 31 March 2007	Achieved by 30 June 2007
	<ul style="list-style-type: none"> Criteria and impartial process for evaluation of civil servants established 	of conduct and discipline			<ul style="list-style-type: none"> specialist groups such as tax inspectors prepared and submitted to CoM Disciplinary regulation issued and disciplinary manual revised to reflect it Drafts prepared of other regulations incl. supervisory accountability 	<ul style="list-style-type: none"> accountability and submission to CoM Consultation on other regulations Consultation on other regulations Training and workshops in ministries to introduce Disciplinary Manual and regulation 	Service Act submitted to CoM	
A.3.3: Development of human resources management system	<ul style="list-style-type: none"> Supplier for Development of personnel management system & associated services commissioned, and development in progress 	<ul style="list-style-type: none"> Contract signed and contractor on site Initial sensitization of HR focal points on use of PMIS underway First phase of PMIS fully operational 	<ul style="list-style-type: none"> 100% of public servants with up-to-date personnel files in PMIS; ministries fully trained; system operating successfully 	MSA/all government departments/ institutions (UNDP, WB, DPs)	<ul style="list-style-type: none"> 100% of basic civil service data entered in PMIS 	<ul style="list-style-type: none"> Records entered for current pay and position, education and training received, and qualifications obtained for civil servants in Level 3 and above 	<ul style="list-style-type: none"> Interface with existing payroll system in MoPF established View-only access to HRMIS system for line ministries 	<ul style="list-style-type: none"> First phase of PMIS fully operational, supporting personnel administration, recruitment and promotion administration, and information relevant to career development
A.3.4: Strengthen the capacity of the Government to manage for and monitor the achievement of results on the ground (Public Sector Management SIP, August, 2004)	<ul style="list-style-type: none"> Official responsibilities of Government Planning Offices including M&E established Evaluation capacity building plan finalized and operations commenced Poverty assessment in process 	<ul style="list-style-type: none"> Mandate for M&E issued and reflected in AAPs Problem-solving carried out based on analysis of quarterly performance Evaluation program commences TLSLS data used in NDP review Survey data used for decision-making 	<ul style="list-style-type: none"> M&E activities regularly implemented as per mandate and AAPs Poverty assessment concluded and incorporated into planning and NDP follow-up NDP final review linked to MDG planned 	Minister for State Administration, MoPF, line agencies, Statistics Directorate (WB, ADB, JICA, WFP, AusAID, UNDP, UNICEF)	<ul style="list-style-type: none"> All ministries complete QMRs section on barriers to performance, and problem-solving TLSLS fieldwork in process PPA fieldwork completed Funding obtained for the analysis of the National Accounts for 2004 and 2005 	<ul style="list-style-type: none"> QMRs section on barriers to performance, and problem-solving put fully on-line Evaluations commenced Analysis of TLSLS Part I data started PPA – first draft completed 	<ul style="list-style-type: none"> 2 Evaluations completed TLSLS – Results from Part I data available PPA - final report completed Poverty assessment consultations completed 	<ul style="list-style-type: none"> TLSLS fieldwork, data entry completed TLSLS- Analysis of full data in process Analysis of National Accounts for 2004 and 2005 completed and published Data entry into DevInfo
A.3.5: Promotion of gender equality in all aspects of public administration (NDP pages 26,	<ul style="list-style-type: none"> MoH, MoE, MoJ, MAFF, have gender responses integrated in three priority programs 	<ul style="list-style-type: none"> Number of programs having women and men as target group 	<ul style="list-style-type: none"> Gender expertise exists in 8 priority ministries and government agencies 	NDPEAC, MPF, PNTL MoH, MoEC, OPE, MAFF (Ireland), NDPEAC,	<ul style="list-style-type: none"> Gender awareness and analysis training conducted with staff of each key target program in the selected ministries. 	<ul style="list-style-type: none"> Specific measures to prevent girls drop-out in place Scholarships for girls are available 	<ul style="list-style-type: none"> Family planning activities targeting men and women are available at sub-district and village level. 	<ul style="list-style-type: none"> MoH, MoE, MoJ, MAFF became institutional models to mainstreaming gender.

Program Components (NDP Goals, Ministry AAP)	Expected Outputs and Outcomes (FY06-07)	Performance Indicators and Targets (FY06-07)	Expected Outcomes (FY07-08)	Agency/ Donor Responsible	Achieved by 30 Sept 2006	Achieved by 31 Dec 2006	Achieved by 31 March 2007	Achieved by 30 June 2007
115,116, 149,154, 169)	<ul style="list-style-type: none"> Gender perspective is included in the planning cycle of line ministries and reflected in AAPs in 8 ministries 			OPE	<ul style="list-style-type: none"> Each key program have been analyzed and corrective measures for gender gaps suggested 	<ul style="list-style-type: none"> Adult literacy & vocational training programs respond to specific needs of men and women Maternal and Child Health, HIV/AIDS, and Reproductive health programs addressed men and women Food security program addressed gender issues within their activities CEDAW training provided to the judiciary staff of the judiciary training centre Recruitment process GA to work with NDPEAC starts 	<ul style="list-style-type: none"> Gender perspective is included in the planning process and in AAPs of key line ministries 	

SECTION A.4: GOVERNANCE – STRENGTHENING THE JUSTICE SECTOR

<p>A.4.1:Administer justice of technical quality independently, with respect for citizenship rights, sensitivity to cultural values and popular participation and involvement</p>	<ul style="list-style-type: none"> • Human resource development and appointment of first cohort of judges, prosecutors and defenders is completed. 	<ul style="list-style-type: none"> • Court actors approve JTC training modules 	<ul style="list-style-type: none"> • Integration of national judges, prosecutors, defenders and court officials to court system improves access to justice. 	<p>Moj/Coc/ PGO/PD/CoA</p> <p>UNOTIL/ UNDP/ Portugal/ Brazil</p>	<ul style="list-style-type: none"> • JTC trainees-group 1 probationary judges, prosecutors and defenders appointed and working • JTC trainees-group 2 begin practice module 	<ul style="list-style-type: none"> • Ongoing JTC training of group 2 court actors • Ongoing mentoring of probationary court actors 	<ul style="list-style-type: none"> • JTC Group 2 initiates Practical Training Module 	<ul style="list-style-type: none"> • Evaluation by Superior Council of Magistrates and official appointment of first national judges, prosecutors and public defenders
<p><i>(NDP pages 21 and 108)</i></p>	<ul style="list-style-type: none"> • Adherence to Civil and Criminal Procedural Codes by all justice sector institutions • Improved understanding of proceedings by justice actors and the public • Clear case processing/ management system defined in each institution 	<ul style="list-style-type: none"> • Quarterly statistical reports • Timing of procedural steps in accordance to the law • Weekly court schedules posted • Less backlog of judicial cases • Decrease in number of detainees awaiting trial and increase in number of cases resolved • Case processing / management system (tramitação) applied in each institution reflects mandates of procedural laws 	<ul style="list-style-type: none"> • Reduction of time used in handling cases (tramitação dos casos) • Human resource development completed with appointment of second JTC cohort of judges, prosecutors and defenders • Oversight bodies functioning 	<p>OPG, CoA, CoC, MoJ, PNTL (UNDP, USAID, AusAID)</p>	<ul style="list-style-type: none"> • Quarterly prosecution, court, and prison statistics publicized by MoJ • Training provided for judicial officials on new procedural codes and case handling system • Ongoing application of procedures based on law 	<ul style="list-style-type: none"> • Case processing and management system reviewed and standardized in each justice institution to apply Civil and Criminal Code norms 	<ul style="list-style-type: none"> • Monitoring and training by JTC and Superior Council of Magistrates for the application of procedural codes in District Courts 	<ul style="list-style-type: none"> • Review of statistics from first, second and third quarters to assess progress and identify bottlenecks • 80% of backlog and new cases resolved
	<ul style="list-style-type: none"> • Prosecution makes timely determination of need for extended pre-trial detention • Timely resolution of formal accusation or dismissal of cases 	<ul style="list-style-type: none"> • Backlog in prosecution reduced • Decrease in number of detainees awaiting OPG resolution of formal accusation or dismissal of the case 	<ul style="list-style-type: none"> • Improvement in timely prosecution of crimes • All detentions supported by timely judicial proceedings • Increase in number of resolved cases 	<p>OPG, CSMP</p>	<ul style="list-style-type: none"> • CSMP functioning with oversight and coordination work plan • Disciplinary guidelines developed • Training provided for PGO/PNTL staff on new criminal procedural code 	<ul style="list-style-type: none"> • Case processing and management system reviewed and standardized to apply Civil and Criminal Code norms • Logistics for mobilization of victims and witnesses organized and fully functional 	<ul style="list-style-type: none"> • Disciplinary procedures for misconduct by prosecutors in place • 3rd quarter of Admin/Finance Course delivered 	<ul style="list-style-type: none"> • Coordination system fully developed between PGO and PNTL • Number of days for processing cases in strict adherence to procedural law

<ul style="list-style-type: none"> Improved administrative, financial, and procurement systems established. 	<ul style="list-style-type: none"> Number of Justice sector staff trained on administration /finance matters Working phones, generators, computers, and photocopiers in courts and offices. 	<ul style="list-style-type: none"> Strengthened Administration of Justice Sector Institutions Improved access to budgeted equipment, goods, and services. 80% of MoJ, Court, Prosecution General and Public Defender budgets executed. 	<p>MoJ/POG/TR USAID,</p> <p>CoA, MoJ, OPG (USAID, UNDP)</p>	<ul style="list-style-type: none"> 1st quarter of Administration/Finance Training Course delivered to Justice Sector officials Improved administrative, finance, and procurement systems, elaborated. 	<ul style="list-style-type: none"> 2nd quarter of Admin/Finance Course delivered Adoption of improved administrative, financial, and procurement policy for CoA, MoJ, and OPG 		<ul style="list-style-type: none"> 4th quarter Admin/Finance Course delivered and training activity finalized 80% of budget executed
<ul style="list-style-type: none"> Enforcement of promulgated Law on domestic violence 	<ul style="list-style-type: none"> Cases of domestic violence resolved according to the law 	<ul style="list-style-type: none"> Law on domestic violence enforced by PNTL, PPO judiciary and local authorities 	<p>OPE, MoJ, PNTL, PPO, MoH, MTRSC (UNFPA, UNDP)</p>	<ul style="list-style-type: none"> Create inter-institutional coordination committee Analysis of GBV cases undertaken Translation of DV violence law 	<ul style="list-style-type: none"> Committee Action Plan developed Plan for the dissemination and socialization of law on domestic violence 	<ul style="list-style-type: none"> Plan for gender training for court actors completed Activities of dissemination and socialization DV law 	<ul style="list-style-type: none"> Gender training for court actors completed
<ul style="list-style-type: none"> Mediation system formally established Disciplinary procedures for public defenders established. 	<ul style="list-style-type: none"> Mediation Act drafted and promulgated Training of Public Defenders for Mediation Organic Law for Public Defenders Office passed 	<ul style="list-style-type: none"> Improved access to justice through the registration of settlements, particularly in districts. Public defenders working in all district courts Formal mediation and settlement registration system in place 	<p>MoJ/Public Defense USAID,</p>	<ul style="list-style-type: none"> General Mediation Bill presented to MOJ Public defender assistants commence Portuguese language training 	<ul style="list-style-type: none"> Review of Mediation Bill by MOJ Training for public defender assistants in JTC commenced Settlement of a number of cases through current mediation process 	<ul style="list-style-type: none"> Submission of General Mediation Bill to Parliament Public defenders assistants training completed Public defender assistants appointed, based on results of training course 	<ul style="list-style-type: none"> Passage of General Mediation Act Public defenders assistants stationed in district courts Disciplinary body for public defenders as defined by law established.

	<ul style="list-style-type: none"> • Improved legal education and socialization of laws in the districts and sub districts. 	<ul style="list-style-type: none"> • Law summary and translation system set up within Directorate of Gender and Citizenship • Translation of law summaries and a number of laws for justice sector officials/public • Distribution of law translations and compilations to district administration offices and aldeias • Number of media programs on justice system. 	<ul style="list-style-type: none"> • Significant number of laws and summaries available in Districts and sub-districts • Public awareness of roles and jurisdiction of justice institutions 	MoJ/ Directorate of Citizenship Rights	<ul style="list-style-type: none"> • Establishment of translation system within Directorate of Citizenship • Outsourcing mechanism for translation of laws and summaries • 2 mass media programs for the socialization of laws 	<ul style="list-style-type: none"> • Outsourcing of translation of 4 laws for Justice/Police sector use • Translation and dissemination of 3 law summaries completed 	<ul style="list-style-type: none"> • On the job training on Legal Terminology for translators • Distribution of translated laws to sector justice and police 	<ul style="list-style-type: none"> • Translation of 3 other law summaries • 4 additional laws translated through outsourcing
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SECTION A.5: GOVERNANCE – STRENGTHENING THE POLICE SERVICES

<p>A.5.1: Strengthening the capacities of the institutions responsible for internal and external security (NDP pages 109, and 111-113, 117) a) Service Delivery</p>	<ul style="list-style-type: none"> Enhanced relationship between the police and the community 	<ul style="list-style-type: none"> Level of satisfaction with policing service Number of community policing mechanisms established Level of training and support provided to community policing initiatives 	<ul style="list-style-type: none"> Improved responsiveness to community needs and Improved service delivery by PNTL 	<p>MOI – PNTL (AusAID, UK, UN, UNICEF, others to be confirmed)</p>	<ul style="list-style-type: none"> Training on Criminal Procedures Code developed and implemented in collaboration with Prosecutor General Additional Village Policing Units establishment begun – Target 3 Districts and 2 Posts in each District Evaluation of 4 Community Awareness Programs completed and proposal for National Community Policing initiative developed and costed 	<ul style="list-style-type: none"> Training on Penal Code developed and implemented ROPs reviewed for compliance with Criminal Procedure Code and Penal Code Additional Village Policing Units established – Target 3 Districts and 2 Posts in each District Additional training of PNTL Officers on Community Policing conducted Proposal for nation wide establishment of Community Awareness Program approved and implementation begun 	<ul style="list-style-type: none"> Crime Data Base established and data made available to PNTL for planning and providing operational resources to enhance service delivery Implementation of Community Awareness Program continuing and 3 District sites established 	<ul style="list-style-type: none"> Crime Data Base established and data made available to PNTL for planning and providing operational resources to enhance service delivery Criminal Data base operating and quarterly reports continuing to be provided to senior PNTL management Additional training of PNTL Officers on Community Policing conducted. Implementation of Community Awareness Program continuing and an additional 3 District sites established
		<ul style="list-style-type: none"> Number of Community Awareness programs implemented in partnership with community and women’s groups Number of Domestic Violence and Crime Prevention Awareness programs implemented 	<ul style="list-style-type: none"> Greater engagement with the community by the PNTL and improved responsiveness to the needs of women Mapping of incidence and prevalence of reported Domestic Violence as a result of Police Program 	<p>MOI – PNTL (AusAID, UK, UN, UNICEF others to be confirmed)</p>	<ul style="list-style-type: none"> Collection and collation of disaggregated data in relation to D.V. begun. Criminal Data Base developed 	<ul style="list-style-type: none"> Quarterly reports on data regarding D.V. offences presented to PNTL management. Review of policing responses to all aspects of Vulnerable Persons (VPs) undertaken in collaboration with stakeholders 	<ul style="list-style-type: none"> Training in connection with DV reviewed to take into consideration issues arising from Policing Review Training of relevant PNTL officers regarding DV procedures begun 	<ul style="list-style-type: none"> Community education programs targeted to areas identified by crime data Training of relevant PNTL officers regarding DV procedures continues to be undertaken
<p>A.5.2: Raise awareness</p>	<ul style="list-style-type: none"> Independent 	<ul style="list-style-type: none"> Number of 	<ul style="list-style-type: none"> Increased 	<p>MOI – PNTL</p>	<ul style="list-style-type: none"> Review of 	<ul style="list-style-type: none"> Recommendatio 	<ul style="list-style-type: none"> Action to 	<ul style="list-style-type: none"> Policy and

<p>of citizens' rights and respect for rule of law, defend citizens from abuse of power by public administration; and safeguard against corruption and nepotism (NDP pages 109, and 111-112) a) Oversight mechanisms</p>	<p>review commission for police discipline (complaints) is established</p>	<p>investigations into complaints against police subject to an independent review</p>	<p>confidence and trust in PNTL and continued refinement of the complaint investigation and independent review process</p>	<p>(UNOTIL, AusAID, UK, USA, UN, others to be confirmed)</p>	<p>legislation underpinning PNTL and the disciplinary process approved by MoI and senior PNTL management and technical assistance provided. • Policies and Procedures developed as result of Review of Inspectorate being implemented</p>	<p>ns from the Review of legislation underpinning PNTL and the disciplinary process presented to MoI and senior PNTL management for consideration.</p>	<p>implement approved recommendations arising from the Review of Legislation commenced. • Training implications arising from Inspectorate's Monitoring & Review considered and strategies developed</p>	<p>procedures developed and amended to give effect to changes approved in respect of results from discipline and PNTL structure Review</p>
<p>b) Policy and coordination</p>	<p>• Policy on policing in Timor-Leste developed and consulted with stakeholders</p>	<p>• Policy document drafted and consulted</p>	<p>• Policy on policing in Timor-Leste approved and implemented • Clear definition of police role and approach for all stakeholders</p>	<p>MOI – PNTL (UNOTIL, AusAID, UK, UN, others to be confirmed)</p>	<p>• Technical assistance provided to MoI to finalize development of a policy on policing for consultation with all stakeholders • Stakeholder consultation undertaken</p>	<p>• Draft of National Policy on Policing presented to PNTL senior Management and MoI for consideration • PNTL Manual development commenced.</p>	<p>• Draft of Manual discussed with stakeholders • Draft Manual submitted for approval</p>	<p>• Manual approved • Socialization of Manual commenced</p>
	<p>• Mapping of causes of delays in the present investigation and court process • Liaison mechanism with the public prosecutor established</p>	<p>• Reduction in backlog of investigations and court cases</p>	<p>• Timeliness of management of investigations through the use of improved standards and benchmarks • Improved standard and timeliness of investigations</p>	<p>MOI – PNTL- Public Prosecutor and Courts. (UNOTIL, AusAID, UK, UN, others to be confirmed)</p>	<p>• Recommendations arising from the Case Review Process relating to benchmarks and standards presented to Public Prosecutor and senior PNTL management for consideration.</p>	<p>• Review of Investigations undertaken to ascertain compliance with benchmarks and standards for investigation of complaints undertaken.</p>	<p>• Mechanism to address causes of delays in cases established and includes representatives of PNTL, Public Prosecutor and Courts.</p>	<p>• Specialist training for investigators developed in collaboration with Public Prosecutor and implementation commenced.</p>

<p>A.5.3: Promotion of gender equality in the police (NDP pages 26,115, 116,149,154,169)</p>	<ul style="list-style-type: none"> • Case study completed and Strategies for Gender mainstreaming developed and being implemented in PNTL. 	<ul style="list-style-type: none"> • Case study available 	<ul style="list-style-type: none"> • Significant reduction of cases of gender discrimination in PNTL • Standards to manage gender related crimes established 	<p>PNTL, Police Academy, MoI, OPE (UK/AusAID, Ireland Aid)</p>	<ul style="list-style-type: none"> • Case study drafts completed and revised by stakeholders and presented to PNTL management • Gender Analysis results and recommendations presented to PNTL Senior management. 	<ul style="list-style-type: none"> • Strategies to address issues arising from gender analysis developed and submitted to PNTL management • Proposal for adopting gender target of 20 % of women members of PNTL submitted to PNTL senior management and MoI for approval 	<ul style="list-style-type: none"> • Strategy to implement gender target developed and approved • PNTL policy on recruitment developed to give effect to principles of gender sensitivity and merit based selection 	<ul style="list-style-type: none"> • Gender target strategy being implemented • Support mechanism for women in policing established
SECTION A.6: GOVERNANCE – PLANNING AND PUBLIC EXPENDITURE MANAGEMENT								
<p>A.6.1: Strengthen the capacity of the MoPF and line agencies to manage public finances (NDP pages 24 & 62) (RM pages 9 & 26)</p>	<ul style="list-style-type: none"> • Completion of FY07 Activities as agreed under the PFMCBP 	<ul style="list-style-type: none"> • Annual Report on PFMCBP detailing progress against PFMCBP indicators 	<ul style="list-style-type: none"> • Procurement delays reduced, enhanced revenue collections and improve line agency budget submissions • Financial management system staffed by personnel trained and proficient in 	<p>MoPF (HR) (WB, AusAID, UNOTIL, Portugal, Ireland, UK)</p>	<ul style="list-style-type: none"> • Capacity building program effective and initial actions underway • Recruitment for critical PFMCBP posts Completed 	<ul style="list-style-type: none"> • Critical advisory staff and advisers in place in MoPF and line agencies • Transition completed between existing program and PFMCBP 	<ul style="list-style-type: none"> • Annual joint review of PFMCB completed with agreed Activities for FY08 	<ul style="list-style-type: none"> • FY07 PFMCBP Activities

			GoTL procedures					
<p>A.6.2: Improve implementation of pro-poor budget in line with the savings policy¹⁸ (NDP pages 43, 49-56, 59, 62-63, 2658, 281 and 283-287) (RM pages 9, 12 & 26)</p>	<ul style="list-style-type: none"> • No increase in unspent appropriations in FY07 as compared to FY06 • Audited final accounts for FY 2006 and FY 2007 budget published and available on GoTL websites and distributed to districts • Financial Management Law approved • Completion of FY07 Activities as agreed under PFMCBP 	<ul style="list-style-type: none"> • FY07 budget execution spending > 80% of appropriations • FY06 CFTL Budget respecting CSP II allocations for health, education & agriculture • Timely transfer of budget allocations to line agencies 	<ul style="list-style-type: none"> • FY08 budget execution spending >80% of appropriations • CSB published including medium-term donor commitments broken down by sector and economic classification • Financial management law approved and implementation started 	<p>MoPF (Treasury, NDPEAC, Procurement & Budget) MoH, MEC & MAFF WB, AusAID, Norway, NZ</p>	<ul style="list-style-type: none"> • Sectoral FY07 donor figures by economic classification with indicative medium term commitments • FY 2007 budget published, available on the government website and distributed to districts • Four key ministries entering CPV online 	<ul style="list-style-type: none"> • Half-year reports by MAFF, MoH, MEC & MPW on spending versus appropriations • Financial Management Law Submitted to the CoM • Further four ministries entering CPV online • Review of pilot procurement decentralization and extension to further ministries 	<ul style="list-style-type: none"> • FY 2006 audited account published, available on the government website and distributed to districts • Financial Management Law approved by the CoM 	<ul style="list-style-type: none"> • FY07 PFMCBP Activities

¹⁸ Parameters - Health and education >31% of programmed and executed CFET recurrent spending; primary education > 45% of programmed and executed CFET recurrent education spending; hospitals < 40% of programmed and executed CFET recurrent spending on health; agriculture ≥4.4 % of programmed and executed CFET recurrent spending.

<p>A.6.3: Ensure transparency and accountability of public finances to the legislature and public (NDP pages 24 & 67-69) (RM pages 9 & 25-26)</p>	<ul style="list-style-type: none"> • Timely, comprehensive and transparent financial reporting taking into account the need to report in a comprehensive fashion on capital development program • External audit of state accounts for FY05 carried out according to the law • Budget Execution Report submitted to Parliament • Budget Execution Report sent to DAs 	<ul style="list-style-type: none"> • Timely submission of Financial Statements and Quarterly Budget Execution Reports to Parliament • Timely submission of Audit of final accounts and Management Letter to Parliament 	<ul style="list-style-type: none"> • Financial reports submitted on time and external audit of state accounts undertaken within 6 months of end of financial year 	<p>MoPF (Budget, Treasury, Court of Appeals)</p>	<ul style="list-style-type: none"> • External audit of state accounts for FY04-05 in progress • Revision to Budget Execution Report considered to include more comprehensive information on capital development program and procurement status 	<ul style="list-style-type: none"> • Q1 Budget Execution report published and sent to Parliament and DAs • Audit statement and Management Letter submitted to the Government • Citizens Guide to Budget published 	<ul style="list-style-type: none"> • Q2 Budget Execution Report published and sent to Parliament and DAs to include more comprehensive information • Audit statement and Management Letter submitted to the Parliament in accordance with the law 	<ul style="list-style-type: none"> • Q3 Budget Execution Report published and sent to Parliament and DAs to include more comprehensive information
<p>A.6.4: Effectively manage Customs administration to improve revenue performance, and private sector development (NDPS, 7, 43, 67)</p>	<ul style="list-style-type: none"> • Organizational diagnostic study completed and recommendations on new structures and procedures start to be implemented • Computer hardware and connections for ASYCUDA II are implemented and security protocols for the system established 	<ul style="list-style-type: none"> • ASYCUDA II launched by end of June 2006 • New sections identified through the review are established by 31 March 2007 • Integrity framework incorporated into recruitment, promotion, training and operational procedures by June 30, 2007 	<ul style="list-style-type: none"> • Improved trade management • Further reductions in clearance times for low risk shipments 	<p>MoPF Customs (UNDP, DPs)</p>	<ul style="list-style-type: none"> • ToRs adopted for review of the current management structure and processes & for preparation of proposal for overall restructuring of existing sections and work practices; • Set up guidelines & procedures to monitor law enforcement & combat wrong practice & design staff training module; • Computer network and cabling installed and tested 	<ul style="list-style-type: none"> • Review of the current management structure and processes completed; proposal adopted for overall restructuring of existing sections and work practices; • Set up appropriate IT network infrastructure and security administration • Begin consultation with shipping agencies, airlines and agencies 	<ul style="list-style-type: none"> • Restructuring of existing sections and work practices implemented; • Guidelines & procedures to monitor law enforcement & combat wrong practice incorporated into recruitment, promotion, and operational procedures; start staff training 	<ul style="list-style-type: none"> • Selection of private brokers and training on use of automated cargo manifest completed; • Guidelines & procedures to monitor law enforcement & combat wrong practice incorporated into recruitment, promotion, and operational procedures fully implemented • User survey for customs clients

SECTION B.1: SERVICE DELIVERY FOR POVERTY REDUCTION – HEALTH

B.1.1: Improve delivery of health services (Denominator for attended deliveries 43,000 and immunization 40,000 and OPD visits 961,600 in FY06)	<ul style="list-style-type: none"> Reduced child mortality through immunization 	<ul style="list-style-type: none"> DPT3 rate: 60% and Measles rate: 55% (December 2005 DPT3 = 48% Measles 42%) 	<ul style="list-style-type: none"> 08 = DPT3: 80% and Measles: 65% 09 = DPT3: 85 and Measles 70 	MOH	<ul style="list-style-type: none"> DPT3: 55% Measles: 50% 	<ul style="list-style-type: none"> DPT3: 57% . Measles: 52% . 	<ul style="list-style-type: none"> DPT3: 58% Measles: 53% 	<ul style="list-style-type: none"> DPT3: 60% Measles: 55%
	<ul style="list-style-type: none"> Improved maternal and neo-natal health 	<ul style="list-style-type: none"> Percent of pregnant women have regular ante natal consultation (at least 4 times) during pregnant period: 40% 	<ul style="list-style-type: none"> 08 Ante Natal Care (fourth visit): target 50% 09 target 55 	MOH	<ul style="list-style-type: none"> Ante Natal Care (fourth visit): 33% 	<ul style="list-style-type: none"> Ante Natal Care (fourth visit): 36% 	<ul style="list-style-type: none"> Ante Natal Care (fourth visit): 38% 	<ul style="list-style-type: none"> Ante Natal Care (fourth visit): 40%
		<ul style="list-style-type: none"> Percent of deliveries attended by skilled health staff; 35% 	<ul style="list-style-type: none"> Deliveries attended by skilled health staff target 08= ;50% 09 = 55 	MOH	<ul style="list-style-type: none"> 28% 	<ul style="list-style-type: none"> 30% 	<ul style="list-style-type: none"> 32% 	<ul style="list-style-type: none"> 35% t
B.1.2: Strengthen planning and resource allocation to improve service delivery	<ul style="list-style-type: none"> Increased utilization of health services 	<ul style="list-style-type: none"> Outpatient visits per capita 2.25 	Target Outpatient visits per capita 08 = 2.5 09= 3.0	MOH	OPD visit: 2.1t	OPD visit: 2.15	OPD visit: 2.2	OPD visit: 2.25
		<ul style="list-style-type: none"> Percent of population within 2 hours walk to health facilities (results from new capital works program and staff) 	<ul style="list-style-type: none"> Population within health service accesses Targets: 08 = 92 09= 95% 	MOH	<ul style="list-style-type: none"> Pop w/ accesses: 83% 	<ul style="list-style-type: none"> Pop w/ accesses: 85% 	<ul style="list-style-type: none"> Pop w/ accesses: 87% 	<ul style="list-style-type: none"> Pop w/ accesses: 90%

			<ul style="list-style-type: none"> Multi-annual reports to monitor DHP implementation are prepared and used to improve district-level outcomes Quarterly & detailed bi-annual monitoring reports continue. MOH and DHOs meet to review DHPs & review reasons for variation in district outcomes 	MOH (TFET)				
B.1.3: Improve MOH organizational (functional) structure	<ul style="list-style-type: none"> Effective resource allocation, leading to continued emphasis on Primary Health Care 	<ul style="list-style-type: none"> Hospital expenditure less than or equal to 40% of CFET recurrent budget defined as total CFET minus Major capital budget 	<ul style="list-style-type: none"> Hospital expenditure less than or equal to 40% of CFET recurrent budget 	MOH, MoPF	• ≤ 40%	• ≤ 40%	• ≤ 40%	• ≤ 40%
	<ul style="list-style-type: none"> Monitor implementation of management tools to improve performance of hospitals within established resource constraint 	<ul style="list-style-type: none"> Hospital Annual Activities plans prepared and progress report (expenditure and service data) submit at least quarterly to Ministry of Health with detailed half year conducted In January as basis for adjustments and guidance for preparation of subsequent AAP 	<ul style="list-style-type: none"> Hospital Annual Activity Plans are prepared on routine basis based on hospital services package and are used to guide resource allocation and budget monitoring 	MOH (TFET)	<ul style="list-style-type: none"> Hospital AAP implementation report on expenditures and output data submitted at least quarterly 	<ul style="list-style-type: none"> Detailed review of six months Hospital AAPs conducted to form basis of half year adjustments and for guidance for preparation/review of next AAP and budget preparation. Preliminary draft hospital AAPs/ QRM in place 	<ul style="list-style-type: none"> FY07/08 hospital annual activity plan in place and all activities based on hospital services package 3rd Quarter report submitted on the time 	<ul style="list-style-type: none"> Evaluation of Hospital AAPs implementation conducted 4th Quarter report submitted on the time
	<ul style="list-style-type: none"> Donor project financing presented by budget program Note most donors did not respond to requests to December 2005 	<ul style="list-style-type: none"> Donor project budgets & expenditures supplied on quarterly basis 	<ul style="list-style-type: none"> Donor budgets and expenditures supplied on quarterly basis 	All MOH Donors	<ul style="list-style-type: none"> Donor budgets & 1st Qr expenditure supplied by project in agreed format 	<ul style="list-style-type: none"> Donor budgets & 2nd Qr expenditure supplied by project in agreed format 	<ul style="list-style-type: none"> MOH requests for Donor budgets & 3rd Quarter expedites' supplied by project' 	<ul style="list-style-type: none"> Donor Budgets & 4th or expenditure supplied by project

	<ul style="list-style-type: none"> National health policies increasingly drive prioritization of district health plan activities and resource allocation - including inter-sectoral coordination & gender focus 	<ul style="list-style-type: none"> Development of health national strategy plan finalized Number of policies developed and reviewed Number of district submitted progress report of DHP implementation on the time At least Quarterly meetings of MOH and DHOs to discuss reports 	<ul style="list-style-type: none"> Quarter feedback on progress reports to monitor DHP implementation are prepared and used to improve district-level outcomes Quarterly & detailed bi-annual monitoring reports continue. MOH and DHOs meet to review DHPs & review reasons for variation in district outcomes 	MOH (TFET)	<ul style="list-style-type: none"> Follow-up of DHP monitoring reports & identification of actions and support needed to address implementation constraints Preliminary draft of national health strategy plan in place 1st Quarter report on DHP implementation submitted on time 	<ul style="list-style-type: none"> Follow-up of DHP implementation and identification and support for implementation issues Preliminary draft District Health Services AAPs/QRM in place Final draft of national health strategy plan approved 2nd Quarter report on DHP implementation submitted on time 	<ul style="list-style-type: none"> Follow-up of DHP implementation and identification and support for implementation issues Final draft of District Health Services AAPs/QRM in place 3rd Quarter report on DHP implementation submitted on time 	<ul style="list-style-type: none"> Follow-up of DHP implementation and identification and support for implementation issues Evaluation for District Health Services planning implementation conducted 4th Quarter report on DHP implementation submitted on time Annual Report paper on health sector AAPs implementation in place
B.1.4: Improve Management of Human Resource for health by establishing regulatory mechanisms for health professional practice and professional ethics	<ul style="list-style-type: none"> Effective organize and regulate health professionals to provide better health services to the community 	<ul style="list-style-type: none"> Proportion of health professional registered to human resource department MoH 	<ul style="list-style-type: none"> All health professional registered and well monitored by MoH 	MoH	<ul style="list-style-type: none"> 25% of health professional registered. 	<ul style="list-style-type: none"> 50% of health professional registered 	<ul style="list-style-type: none"> 75% of health professional registered 	<ul style="list-style-type: none"> 100% of health professional registered
SECTION B.2: SERVICE DELIVERY FOR POVERTY REDUCTION – EDUCATION								
B.2.1: Improve planning capacity and human resources development in the education sector <i>(NDP – pages 9,27,44, 135-137, 152-15 and 160-162)</i>	<ul style="list-style-type: none"> First phase of Ministry reorganization completed Staff development plan approved AND under execution Organic Law approved by CoM 	<ul style="list-style-type: none"> New job descriptions for all staff positions Organic Law approved by CoM Sector-wide staff development plan being executed 	<ul style="list-style-type: none"> Improved service delivery 	MoEC, New Zealand, Brazil, Portugal, UNICEF, UNDP, World Bank	<ul style="list-style-type: none"> Organizational reorganization detailed and approved Draft of Organic Law 	<ul style="list-style-type: none"> New job descriptions for all staff Organic Law submitted to the CoM 	<ul style="list-style-type: none"> Organic Law approved by CoM 	<ul style="list-style-type: none"> Reorganization implementation commenced First phase of staff development plan completed

<p>B.2.2: Ensure that education budget is fully executed and timely reported. (NDP pages 44 and 161)</p>	<ul style="list-style-type: none"> • Procurement system adapted based on necessities of MoEC • Agreement on school finance policy 	<ul style="list-style-type: none"> • New procurement system • 90 % budget execution • School finance policy in place 	<ul style="list-style-type: none"> • Increased levels of budget efficiency; • Increased budget flexibility at the schools level 	<p>MoEC, MoPF, World Bank, Australia (?)</p>	<ul style="list-style-type: none"> • Approved changes in the procurement system; • Consultations with the community in the drafting of a school finance (SF) policy 	<ul style="list-style-type: none"> • Increased rates of budget execution for capital development compared to FY05/06; • Submission of the SF policy for review of the DP 	<ul style="list-style-type: none"> • Submission of SF policy to CoM 	<ul style="list-style-type: none"> • Timely execution of the capital development budget; • Approval of the SF policy by CoM
<p>B.2.3 Increase the access and improve the efficiency and quality of basic education. (NDP pages 9,27,44,135-137,152-15 and 160-162)</p>	<ul style="list-style-type: none"> • School construction and rehabilitation program completed • Teacher training competency framework implemented • M&E system in place to assess training programs 	<ul style="list-style-type: none"> • A minimum of 120 schools constructed or rehabilitated • Approval of National Teacher Competency Framework • Training plans adhering to competency framework in place 	<ul style="list-style-type: none"> • 5% increase in primary net enrolment rate • 5% decrease in drop-out rate • 5% decrease in repetition rate (based on FY05 data) 	<p>MoEC, UNICEF, Brazil, Portugal, World Bank</p>	<ul style="list-style-type: none"> • A total of 30 school developments under contract • National Competency Framework for Teacher Training agreed upon 	<ul style="list-style-type: none"> • A total of 60 school developments completed or under contract • National Competency Framework used in planning of teacher training • Performance indicators based on competency framework drafted 	<ul style="list-style-type: none"> • A total of 90 school developments completed or under contract • Performance indicators field reviewed and agreed upon 	<ul style="list-style-type: none"> • A total of 120 school developments completed or under contract • All training taking place evaluated against National Competency Framework
SECTION B.3: SERVICE DELIVERY FOR POVERTY REDUCTION – INFRASTRUCTURE								
POWER SECTOR								
<p>B.3.1: Ensure the availability of reliable power in the districts (NDP pages 3, 4, 12, 45, 61, 235, 263, 284-7)</p>	<ul style="list-style-type: none"> • 15% of district center rehabilitation complete • 24 hour electricity in two district centers • 90 % collection efficiency in rehabilitated areas 	<ul style="list-style-type: none"> • 35 km MV lines and associated LV lines restored • Prepayment meters installed for all customers in rehabilitated areas 	<ul style="list-style-type: none"> • Increased availability of power in district towns • District economic growth kick-started • 24 hour/day target for June 2008 	<p>EDTL/CEM WB (PPIAF, PHRD, ESDP) Japan, Norway</p>	<ul style="list-style-type: none"> • Japan financed new generators in Bacau, Suai, Viqueque. • Norway financed mini hydropower plant in Bacau commissioned. • PHRD financed survey of rehabilitation needs completed. • Pilot projects for rehabilitation in EDTL areas designed and implementation commenced 	<ul style="list-style-type: none"> • Pilot project implementation 50% complete • IDA/Govt financed ESD Project appraised and procurement largely complete 	<ul style="list-style-type: none"> • Pilot project implementation complete • IDA/Govt financed ESD Project approved and in implementation 	<ul style="list-style-type: none"> • 35 km MV lines and associated LV lines restored and Prepayment meters installed for all customers in rehabilitated areas

	<ul style="list-style-type: none"> Government decision on institutional arrangements for sub-district power systems 15% rehabilitation completed. 90% collection efficiency in rehabilitated areas 	<ul style="list-style-type: none"> Prepayment meters and new institutional arrangements in all rehabilitated areas 	<ul style="list-style-type: none"> Normal operation of sub-district power systems 	EDTL WB (PIAF, TFET, PHRD and ESDP)	<ul style="list-style-type: none"> PHRD financed survey of rehabilitation needs completed. IDA Aliambata Gas Seep Harvesting Pilot Projects (GSHP) approved and implementation commenced 	<ul style="list-style-type: none"> Pilot project implementation 50% complete IDA financed ESD Project appraised GSHP 50% complete 	<ul style="list-style-type: none"> Pilot project implementation 50% complete IDA financed ESD Project appraised GSHP complete 	<ul style="list-style-type: none"> Government decision on institutional arrangements for sub-district power systems 15% rehabilitation completed
<p>B.3.2: Improve power efficiency in Dili, and improve Government collections. (NDP pages 3, 4, 12, 45, 61, 235, 263, 284-7)</p>	<ul style="list-style-type: none"> Increase generation efficiency in Dili Technical and non technical losses in Dili system substantially reduced Full collections from government 	<ul style="list-style-type: none"> Specific fuel consumption reduced from 0.265 liters/kWh to 0.250 liters/kWh Distribution efficiency increased from 60% to 75% 	<ul style="list-style-type: none"> Significant system loss reduction, strict control on fuel use, and strict assessment of fuel used versus generation and sales 	MNRMEP, EDTL/CEM Japan WB (TFET, PHRD, ASTAE, GEF) Norway	<ul style="list-style-type: none"> TFET/Govt financed generator in operation. TFET and Norway distribution rehabilitations complete. PHRD financed distribution planning and design unit established Program to complete Dili distribution rehabilitation formulated 	<ul style="list-style-type: none"> IDA/GEF/Govt ESD Project appraised and procurement underway 	<ul style="list-style-type: none"> IDA/GEF?Govt ESD Project approved and implementation underway 	<ul style="list-style-type: none"> IDA/GEF?Govt ESD Project (dili distribution component) 50% complete
<p>B.3.3: Improve the affordability of power (NDP pages 3, 4, 12, 45, 61, 235, 263, 284-7)</p>	<ul style="list-style-type: none"> Firm plans in place for lowering overall power generation costs, and measures for doing so in implementation Initial gas seep harvesting in operation 	<ul style="list-style-type: none"> Award of initial licenses for close offshore and onshore exploration Decision taken on onshore refinery Aliambata gas seep project in operation, gas seep inventory and testing of four gas seeps finished Inventory of distributed renewable energy completed 	<ul style="list-style-type: none"> Less costly fuel supply for power generation 	MNRMEP EDTL/CEM WB (TFET, ASTAE, GEF)	<ul style="list-style-type: none"> Licenses for close offshore petroleum awarded, and first bidding round for onshore petroleum underway TFET/GEF Aliambata Gas Seep Harvesting Pilot Projects (GSHP) approved and implementation commenced Refinery Feasibility study complete The Gariuai mini hydropower project in Baucau commissioned 	<ul style="list-style-type: none"> First bidding round for onshore petroleum launched GSHP 50% complete Rural electrification masterplan updated to incorporate mini and micro hydropower, gas seep and other renewable resource studies 	<ul style="list-style-type: none"> First bidding round for onshore petroleum awarded Aliambata GSHP project in operation, 75% of distribution complete. IDA/Govt/ ESD project including further gas seep development and support for private development of renewable energy approved 	<ul style="list-style-type: none"> Aliambata GSHP in full operation, gas seep inventory and testing of four gas seeps finished IDA/Govt/ ESD project under implementation
<p>B.3.4: Ensure an enabling legal,</p>	<ul style="list-style-type: none"> Firm plans in place for structure 	<ul style="list-style-type: none"> Government decision on long 	<ul style="list-style-type: none"> Restructuring of 	EDTL/CEM , MNRMEP	<ul style="list-style-type: none"> Government decision on long term 	<ul style="list-style-type: none"> Handover of EDTL to new 	<ul style="list-style-type: none"> Roadmap for corporatization of 	

<p>regulatory, and institutional environment for the power sector (NDP pages 3, 4, 12, 45, 61, 235, 263, 284-7)</p>	<p>of power sector and associated legal and regulatory arrangements and implementation commenced</p> <ul style="list-style-type: none"> • Road map for corporatization of EDTL prepared & under implementation • Government decision on EDTL management after expiration of current management contract taken & new management in place 	<p>term structure</p> <ul style="list-style-type: none"> • Road map for corporatization of EDTL prepared and under implementation 	<p>power sector</p> <ul style="list-style-type: none"> • Possible creation of Regulatory Authority, Rural Electrification (RE) entity, RE Fund and corporatization of EDTL 	<p>(WB; PPIAF; ESMAP, PHRD)</p>	<p>sector structure</p> <ul style="list-style-type: none"> • Plan for EDTL management post-CEM and road map for EDTL corporatization • Detailed planning for Water and Energy Dept, staffing underway 	<p>arrangement with mandate to implement corporatization road map</p> <ul style="list-style-type: none"> • Establishment of Water and Energy Policy Directorate with assistance of GEF financed experts 	<p>EDTL under implementation</p> <ul style="list-style-type: none"> • Water and Energy Policy Directorate fully staffed and capacity upgrading underway 	
TRANSPORT SECTOR								
<p>B.3.5: Road, bridge, and river embankment construction and maintenance (NDP pages 3, 4, 12, 263-5, 271-5; Annual Action Plan)</p>	<ul style="list-style-type: none"> • The rate of CFET-funded actual project execution by MoPW continues to increase significantly (for capital works and maintenance). 	<ul style="list-style-type: none"> • FY2007 actual execution (% of allocation) is 20% higher than FY2006. 	<ul style="list-style-type: none"> • Initiatives under MoPW's Project Execution Improvement Plan (PEIP) are fully implemented. • Actual executed capital works and maintenance reaches at least 80% of budget allocation. 	<p>MoPW MoPF ADB Japan/JICA</p>	<ul style="list-style-type: none"> • Review and report on the achievements of the MoPW PEIP: execution of FY06 capital works and maintenance budget not less than 50% of CFET allocation. • As part of the above review, evaluate the effectiveness of the MoPW Project Appreciation Team (refer CSP I matrix), which aims to improve quality and so reduce downstream procurement & implementation delays. Report actual performance against the Procurement Service Agreement with MoPF (CSP 1). 	<ul style="list-style-type: none"> • Ongoing implementation of the PEIP. • Sign the first batch of outsourced detailed design and documentation (DDD) and supervision contracts with consultants. • Complete documentation for the first routine road maintenance period contract. 	<ul style="list-style-type: none"> • Commence first batch of works using outsourced DDD and supervision contracts. • Commence works under the first period contract. 	<ul style="list-style-type: none"> • FY2007 actual execution (% of allocation) is 20% higher than FY2006.
<p>B.3.6: Strengthened local contractor industry (NDP pages 3, 4, 12,</p>	<ul style="list-style-type: none"> • The MoPW Road Maintenance Management System (RMMS) is 	<ul style="list-style-type: none"> • Two MoPW engineers are assigned full-time to operate RMMS; 	<ul style="list-style-type: none"> • All routine road maintenance and emergency repairs are planned and 	<p>MoPW/ DRBFC ADB</p>	<ul style="list-style-type: none"> • RMMS data collection is complete and the database is 	<ul style="list-style-type: none"> • The first RMMS road maintenance plan is prepared. 	<ul style="list-style-type: none"> • Ongoing RMMS training for MoPW technical staff, and RMMS operations 	<ul style="list-style-type: none"> • Two MoPW engineers are assigned full-time to operate RMMS; regional

263-5, 271-5)	<p>fully operational.</p> <ul style="list-style-type: none"> Initial actions towards installing the Highway Design and Management system (HDM4) in MoPW for road project appraisal and strategic investment and maintenance planning. Initial actions to harmonize HDM4 and RMMS operations 	<p>regional MoPW offices are updating the RMMS databases; RMMS is ready to use for FY07-08 budget submission for road maintenance.</p> <ul style="list-style-type: none"> MoPW managers have received HDM4 orientation and HDM4 training for technical staff is planned. A study has commenced on harmonizing the operations and databases of HDM4 and RMMS 	<p>managed using the RMMS.</p> <ul style="list-style-type: none"> HDM4 is used to identify an optimal medium term road investment and periodic maintenance plan within expected budget constraints; all road investments and periodic maintenance included in MoPW's annual SIP update and budget submission have been evaluated and ranked using HDM4. The operation of HDM4 and RMMS are optimally harmonized; MoPW has a primary database for roads and bridges assets (which may or may not incorporate the RMMS database); the database(s) are also used for reporting outputs 	Japan/JICA	<p>populated</p> <ul style="list-style-type: none"> The roads sector technical training team assisting MoPW reviews training needs to install and operate HDM4 	<ul style="list-style-type: none"> TOR for an HDM4 orientation and training program. The roads sector technical training team and the RMMS team review options for harmonizing the operations and databases of HDM4 and RMMS 	<p>manual complete.</p> <ul style="list-style-type: none"> MoPW management considers an HDM4 installation and training plan. TOR for a study on harmonizing the operations and databases of HDM4 and RIMMS 	<p>MoPW offices are updating the RMMS database; RMMS is ready to use for FY07-08 budget submission for road maintenance.</p> <ul style="list-style-type: none"> MoPW managers have received HDM4 orientation, and HDM4 training for technical staff is planned. A study has commenced on harmonizing the operations and databases of HDM4 and RMMS
<p>B.3.7: Strengthen the road sector capability of MoPW (NDP pages 3, 4, 12, 263-5, 271-5)</p>	<ul style="list-style-type: none"> The Division of Roads, Bridges and Flood Control (DRBFC) is operating more efficiently. Capacity building support is coordinated and synchronized 	<ul style="list-style-type: none"> DRBFC is reorganized in line with its two core functions of development and maintenance. MoPW has adopted a comprehensive Human Resources Management and Development Plan (HRM&D plan) covering all its road sector operations 	<ul style="list-style-type: none"> DRBFC is reorganized in line with its two core functions of development and maintenance. All externally supported capacity building and Government training programs are planned and designed according to MoPW's comprehensive 	MoPW/ DRBFC ADB Japan/JICA	<ul style="list-style-type: none"> Proposed DRBFC reorganization is prepared and socialized. Work has commenced on preparing the HRM&D plan for all the road sector operations of MoPW 	<ul style="list-style-type: none"> The DRBFC reorganization is mandated and senior staff appointments are made. Draft HRM&D plan ready is for consideration by MoPW management 	<ul style="list-style-type: none"> Ongoing implementation of the DRBFC reorganization, including in regional offices. Finalization of the HRM&D plan 	<ul style="list-style-type: none"> DRBFC reorganization is complete for all elements of MoPW road sector operations. MoPW has adopted a comprehensive HRM&D plan covering all its road sector operations

			HRM&D plan for road sector ops					
B.3.8: Improve air transport (NDP pages 20, 28, 37,297-302)	<ul style="list-style-type: none"> Initial actions to establish the Navigation and Airports Administration of Timor-Leste (ANATL) and the Civil Aviation Authority of Timor-Leste (AACTL) 	<ul style="list-style-type: none"> Technical assistance is committed and a program is agreed to establish ANATL and AACTL 	<ul style="list-style-type: none"> ANATL and AACTL are fully functional 	MTC MoPF Portugal Others	<ul style="list-style-type: none"> An MTC proposal for external assistance to help establish ANATL and AACTL 	<ul style="list-style-type: none"> MTC's proposal for external assistance is endorsed by GoTL and negotiations have commenced with prospective development partners (DPs) 	<ul style="list-style-type: none"> Ongoing negotiations and programming with DPs 	<ul style="list-style-type: none"> Technical assistance is committed and a program is agreed to establish ANATL and AACTL
WATER SUPPLY AND SANITATION SECTOR								
B.3.9: Strengthen the service delivery capability of DNAS (NDP pages 3, 4, 12, 121-2, 263, 275-80)	<ul style="list-style-type: none"> GoTL is committed to the financial and managerial autonomy of DNAS through the implementation of a DNAS Organization Development Plan; commitment also to developing a Watsan sector economic and technical regulatory framework. DNAS has commenced monitoring, evaluating, and reporting performance against appropriate industry comparators. DNAS has progressed towards financial self-sustainability. DNAS is planning all its human resources management and development within the overarching 	<ul style="list-style-type: none"> The DNAS Organization Development Plan and sector regulatory framework program are endorsed by the Council of Ministers (CoM). DNAS is an active member of the International Benchmarking Network (IBNet) and has submitted its first performance report to the IBNet database. DNAS revenues from water sales, service connections and other services total \$130,000 (20% higher than for FY06). A comprehensive DNAS Human Resources Management and Development Plan (HRM&DP) is approved and endorsed by DNAS/MNRMEP 	<ul style="list-style-type: none"> The DNAS Organization Development Plan is fully financed and underway, and the sector regulatory framework is ready for CoM consideration. DNAS management decisions and budgets are based on sound knowledge of current performance measured against Government service level policies and targets and international benchmarks. DNAS revenue from water supply operations has reached \$150,000 pa. DNAS manages and develops its human resources within the overarching context of the DNAS Organization 	MoNRMEP DNAS ADB AusAID JICA Portugal WB IBNet	<ul style="list-style-type: none"> Terms of Reference (TOR) is complete for the DNAS Organization Development technical assistance (TA). Performance Benchmark system being tested. DNAS billing system being reviewed. DNAS continues to expand billing and collections from commercial and other larger customers. Work has started on the comprehensive DNAS HRM&DP 	<ul style="list-style-type: none"> Consultant selection ongoing for DNAS Organization Development TA. Performance Benchmark system in place. DNAS billing system being reviewed. DNAS continues to expand billing and collections from commercial and other larger customers. Work ongoing on the comprehensive DNAS HRM&DP 	<ul style="list-style-type: none"> Consultant mobilized for DNAS Organization Development TA Performance data being collected. DNAS and MNRMEP leadership considers DNAS billing systems options and recommendations. DNAS continues to expand billing and collections from commercial and other larger customers. DNAS/MoNRMEP workshops draft DNAS HRM&DP, including with development partners 	<ul style="list-style-type: none"> DNAS Organization Development Plan and sector regulatory <u>program</u> presented to CoM. First performance report submitted to IBNet database. DNAS and MNRMEP leadership approves DNAS billing system improvement plan. DNAS revenues from water sales, service connections and other services total \$130,000 (20% higher than for FY06). The DNAS HRM&DP is approved by DNAS/MNRMEP leadership and endorsed to development partners

	context of the DNAS Organization Development Plan	leadership to development partners	Development Plan					
B.3.10 Deliver improved rural and urban water supplies (WS), wastewater management (WWM) services, and solid waste management (SWM) services to Timor-Leste residents and business (NDP pages 3, 4, 12, 121-2, 263, 275-80) (WWM—all forms of sewage effluent collection, treatment and disposal)	<ul style="list-style-type: none"> GoTL and DNAS/MoNRMEP have entered into the first annual “service agreements” for rural and urban WS, WWM, and SWM; the agreement binds MoPF and MoNRMEP/ DNAS to budget allocations and service level targets respectively 	<ul style="list-style-type: none"> MoNRMEP/ DNAS are set-up to prepare the FY08-09 budget submission based on agreed service level targets for each of WS, WWM, and SWM for rural and urban users 	<ul style="list-style-type: none"> GoTL WS, WWM, UD, and SWM budget allocations and DNAS works programs are approved in accordance with a transparent service agreement, backed by a performance monitoring system. (B.3.9) 	MoPF MoNRMEP/ DNAS AusAID ADB UNICEF Portugal	<ul style="list-style-type: none"> The long-term Watsan policy adviser to the Minister, MoNRMEP (the Watsan policy adviser) has commenced work on a water and sanitation (Watsan) policy for T-L that includes WS, WWM and SWM service levels/targets for rural and urban users 	<ul style="list-style-type: none"> The Watsan policy adviser has presented a draft service level policy and recommendations to DNAS and MoNRMEP management; MoNRMEP has presented the draft policy to MoPF as a basis for annual budget allocations 	<ul style="list-style-type: none"> MoNRMEP and MoPF have agreed service level policy. MoNRMEP and MoPF have prepared service level targets consistent with agreed policy. The updated Watsan SIP and the AAP for FY08 includes agreed service level target 	<ul style="list-style-type: none"> MoNRMEP/ DNAS are set-up to prepare the FY08-09 budget submission based on agreed service level targets for each of WS, WWM, and SWM for rural and urban users
B.3.11 Promote good hygiene and sanitation practices in association with providing “safe” water to “enhance human health and welfare”. (NDP page 38, 151, 154, 163-164, 276)	<ul style="list-style-type: none"> DNAS/ MoNRMEP and Ministry of Health (MoH) are committed to structured and systematic collaboration to maximize water-related health benefits in rural and urban watsan projects 	<ul style="list-style-type: none"> A Water, Sanitation and Hygiene (WSH) strategy and guidelines on in-field collaboration have been issued and mandated by DNAS/ MoNRMEP and MoH Capacity building has commenced for the Health Promotion Division (HPD) and the Environmental Health Division (EHD), MoH. 	<ul style="list-style-type: none"> DNAS/ MoNRMEP and MoH are collaborating in all watsan projects to maximize health benefits from improved water services in rural and urban areas 	MoH MoNRMEP/ DNAS AusAID ADB Portugal UNDESA/ UNDP/ UNICEF WHO	<ul style="list-style-type: none"> High-level discussions between DNAS/ MoNRMEP and MoH on WSH strategy development and project collaboration A capacity building program is being planned for HDP and EHD, MoH. 	<ul style="list-style-type: none"> The Watsan policy adviser, in close collaboration with MoH has prepared a draft WSH strategy and guidelines on DNAS/ MoNRMEP and MoH project collaboration A program and financing plan is prepared for the HDP and EHD capacity building program. 	<ul style="list-style-type: none"> DNAS/ MoNRMEP and MoH have workshopped the draft WSH strategy and guidelines, including with development partners A program and financing plan is approved for the HDP and EHD capacity building program. 	<ul style="list-style-type: none"> A Water, Sanitation and Hygiene (WSH) strategy and guidelines on in-field collaboration have been issued and mandated by DNAS/ MoNRMEP and MoH Capacity building has commenced for HDP and EHD.
SECTION B.4: SERVICE DELIVERY FOR POVERTY REDUCTION – VULNERABLE GROUPS (VETERANS ISSUES)								
B.4.1: Recognize veterans of the resistance. (NDP page 132)	<ul style="list-style-type: none"> Ceremonies for the longest serving veterans in each category defined by the law completed. Pensions provided to the longest serving 	<ul style="list-style-type: none"> Veterans registry administered according to law Additional registrations carried out by CHSRR transparent and participatory 	<ul style="list-style-type: none"> Veterans recognized and assisted in accordance with law, and Government, NGO, and donors follow national 	MTRC/SEAV AC/CHSRR Office of the President (UNDP, WB)	<ul style="list-style-type: none"> First ceremonies for veterans of armed front on Aug. 20 First ceremonies for veterans of civilian front on Aug. 30 Completion of all necessary sub- 	<ul style="list-style-type: none"> founders of resistance recognized on Nov. 28 martyrs of national liberation recognized on Dec. 7 Continuation of ongoing policies and 	<ul style="list-style-type: none"> Vulnerability criteria developed, in coordination with overall social protection planning, for attribution of assistance to widows, orphans, and vulnerable veterans 	<ul style="list-style-type: none"> Members of the diplomatic front recognized Policies options for assistance to vulnerable veterans, widows, and orphans within framework of

	veterans in accordance with the law <ul style="list-style-type: none"> • CHSRR completes additions and corrections to official veterans registry, . 		policy in efforts to assist veterans		regulations for veterans law <ul style="list-style-type: none"> • SEAVAC staff trained in database management • Payments of special subsistence pensions commenced for those who served 15 plus years in armed front 	programs to benefit veterans <ul style="list-style-type: none"> • Ongoing assistance to veterans with special medical needs 	not eligible for special subsistence pension <ul style="list-style-type: none"> • Collection of required socio-economic data for policy implementation completed, including determination of vulnerability 	overall social services programming identified <ul style="list-style-type: none"> • Work of the CHSRR completed and registration closed • Planning for next series of ceremonies completed
SECTION C.1: JOB CREATION - PRIVATE SECTOR DEVELOPMENT								
C.1.1: Emigrant Workers Program <i>(NDP pages 26, 27 114, 226, 227)</i>	<ul style="list-style-type: none"> • Operational emigrant workers program 	<ul style="list-style-type: none"> • 800 workers placed overseas • Negotiations concluded with additional countries on placement of Timorese workers 	<ul style="list-style-type: none"> • Creation of jobs overseas for 1000 workers/year • Increased earnings 	MLCR (UNDP, Ireland) ILO	<ul style="list-style-type: none"> • 200 workers placed overseas • Continued preparatory training of workers 	<ul style="list-style-type: none"> • Number of overseas workers per sector monitored 		<ul style="list-style-type: none"> • Workers leaving to additional countries
C.1.2: Improved private sector enabling environment with greater regulatory certainty, lower costs of doing business, fewer administrative barriers, and better consultation between Government and the private sector <i>(NDP p 24, 28-29, 66, 119, 230-232)</i>	<ul style="list-style-type: none"> • Improved consultation between Government and private sector • MoJ assuming new notarization/ business registration functions in coordination with MoD • Credit registry established 	<ul style="list-style-type: none"> • Business Forums (2) • Government-Private Sector (PS) Working Group meetings (8) • Reduction in start-up time for both SMEs and larger enterprises • Reduction in start-up cost for both SMEs and larger enterprises 	<ul style="list-style-type: none"> • Strengthened private sector enabling environment that has led to increased levels of investment, trade and business activity 	MD, MoJ, BPA (WB, UN, Portugal, IMF, USAID)	<ul style="list-style-type: none"> • 1 Business Forum between Government and private sector, followed up by formation of at least 2 Government-Private Sector Working Groups • Continued preparation of Credit Registry 	<ul style="list-style-type: none"> • 4 meetings of Government-Private Sector Working Groups, resulting in more integration of feedback from PS into government policies and actions • MoD coordinates adoption of international system of classification of economic activities • Draft of policy for licensing key manufacturing and tourism –related businesses based on consultations with private sector 	<ul style="list-style-type: none"> • Credit registry functional • Draft of initial policy for the insurance system • Business registration within Directorate of Notarization and Registration functional 	<ul style="list-style-type: none"> • 2 Government – Private Sector Business Forums held (total) • 8 Government-PS Working Groups meetings held (total) • Key manufacturing and tourism sector licensing laws drafted • Analysis and review of minimum capital required for corporations per Commercial Societies Act, in preparation for a possible amendment to the Act
C.1.3: National Program for Entrepreneurship <i>(NDP pages 242, 243, 235, 237)</i>	<ul style="list-style-type: none"> • Greater public awareness of the scope for employment through entrepreneurial activities 	<ul style="list-style-type: none"> • National Forum on entrepreneurship conducted • Dedicated know-how programs - 10 courses/300 participants 	<ul style="list-style-type: none"> • Contribution to the economy by creating 200 entrepreneurial jobs 	MD, MEC (WB, USAID, UNIDO, UNDP/ILO)	<ul style="list-style-type: none"> • Continuing training in entrepreneurship through BDCs (within IADE) and training by private orgs, secondary and tertiary educational institutions 	<ul style="list-style-type: none"> • Continued progress 	<ul style="list-style-type: none"> • Continued progress 	<ul style="list-style-type: none"> • Continued progress

		<ul style="list-style-type: none"> • New entrepreneurs - 100 						
C.1.4: Investment and Export Promotion <i>(NDP pages 139, 141, 143, 242, 243, 246)</i>	<ul style="list-style-type: none"> • Increased levels of FDI • FDI indicators widely available 	<ul style="list-style-type: none"> • New jobs – 200 • Develop targets for domestic investment 	<ul style="list-style-type: none"> • 1,000 jobs 	PM's Office, MD, MoPF, MLCR, MEC (WB, USAID, UNDP, ILO, UNIDO)	<ul style="list-style-type: none"> • Foreign investment information management system set up • Domestic investment information management system set up • Linkages between respective Ministries established, to coordinate identification of key FDI sectors for Timor-Leste 	<ul style="list-style-type: none"> • Ministries coordinate to implement tools/approaches for FDI promotion Examples: one-stop shop, targeted vocational and technical skills training, special economic zone, business legislation 	<ul style="list-style-type: none"> • Foreign investment information management system operational • Domestic investment information management system operational 	<ul style="list-style-type: none"> • FDI levels increased • FDI indicators available to the public • Domestic investment levels increased • Domestic investment indicators available to the public
C.1.5: Routine and Periodic Maintenance of Roads (Labor Contracts) <i>(NDP pages 37, 133-134, 137, 230-231, 273, 275)</i>	<ul style="list-style-type: none"> • 500 annualized jobs created and programmed road maintenance completed 	<ul style="list-style-type: none"> • 500 annualized jobs created 	<ul style="list-style-type: none"> • Road maintenance targeted at maximizing labor content and maintaining operational roads 	MPW	<ul style="list-style-type: none"> • CBM roads program capturing and recording job creation statistics • No. of jobs created included as a performance indicator in MPW's Annual Action Plan 	<ul style="list-style-type: none"> • Continued progress 	<ul style="list-style-type: none"> • Continued progress 	<ul style="list-style-type: none"> • Continued progress
C.1.6: Land Law – Titling Policy, Law and Issuance; Policy Development on Sale of State-owned Property <i>(NDP pages 61,62, 63 66, 196, 226, 243) (RM pages 8-10, 17, 25)</i>	<ul style="list-style-type: none"> • Main law and sub-regulations completed: land rights/titling, foreign owner compliance, cadastre, natural resources, and agricultural use • Implementation of pilot land registration 	<ul style="list-style-type: none"> • Approval of laws • Report on registered properties from pilot sector 	<ul style="list-style-type: none"> • Laws functioning • Titling and cadastral system development in progress • Private market in land and property transactions • Land and property used as collateral for finance 	LPU (MoJ) (TA :USAID, AusAID)	<ul style="list-style-type: none"> • Law on Property System, Land Transfer, Registration and Title Restitution submitted to NP by CoM 	<ul style="list-style-type: none"> • Draft Decree Law on Cadastral Act sent to CoM • Preliminary cadastre in Dili continued 	<ul style="list-style-type: none"> • Law on Property System, Land Transfer, Regulation and Title Restitution approved by NP • Decree Law on Cadastral Act approved by CoM • Sub-regulation drafted to implement land registration administration processes 	<ul style="list-style-type: none"> • Main juridical regime adopted • Preliminary cadastre in urban areas continued. • Pilot land registration begun • Initial considerations for future transfer of registered state-owned property
SECTION C.2: JOB CREATION – AGRICULTURE								
C.2.1: Policy and Legislation Development <i>(NDP pages 174, 176 and 190-197)</i>	Laws and Regulations finalized for; <ul style="list-style-type: none"> • Fisheries 	<ul style="list-style-type: none"> • Laws approved by COM • Land Use laws in draft 	MAFF's legislative agenda complete.	DPPPS; (FAO, EU, ARP)	<ul style="list-style-type: none"> • Fisheries licensing conditions revised • Quarantine regulations finalized; 	<ul style="list-style-type: none"> • Pesticide. Seeds and Livestock needs assessments complete. 	<ul style="list-style-type: none"> • Pesticide. Seeds and Livestock legal drafting finalized • Land Use and management Law 	<ul style="list-style-type: none"> • Pesticide. Seeds and Livestock laws approved by COM; • Land Use and management Law in

<p><i>(AAP: Policy and planning PC 1 and 3: Forestry 3.2;3.3; Food Crops 3.0;4.0)</i></p>	<ul style="list-style-type: none"> • Quarantine • Forestry (incl PNAs) • Pesticides • Seeds and fertilizers • Livestock • Land Use and management laws drafted 	<ul style="list-style-type: none"> • Implementation plans in place for all Laws and Regulations 			<ul style="list-style-type: none"> • Forestry Law finalized • Pesticide. Seeds and Livestock needs assessments in progress 	<ul style="list-style-type: none"> • Legal drafting in progress 	<p>needs assessment in progress</p>	<p>draft</p>
<p>C.2.2: Sustainable Resource Management - Fisheries <i>(NDP pages 187-188, 191-192, and 206)</i> <i>(AAP: Fisheries and Aquaculture Development PC 2)</i></p>	<ul style="list-style-type: none"> • Evaluation of results of first year of off-shore licenses; • Fisheries Monitoring, Control & Surveillance (MCS) systems in place. • Licensing, monitoring and ‘socialization’ of artisanal fisheries in progress 	<ul style="list-style-type: none"> • At least five offshore vessels operating within the terms of their license conditions; • Frequency of Illegal, Unregistered,, Unreported (IUU) vessels; • Number of artisanal licenses issued; Target =1000; • Logbooks and MAFF database up-to-date/verified; • Number of communities in receipt of the socialization program 	<ul style="list-style-type: none"> • 20 offshore licensed vessels operating under the MCS • 2000 artisanal licenses issued • All coastal communities received socialization program; • MCS system operational, and IUU decreasing 	<p>MAFF Dept. of Fisheries and Aquaculture (AusAID, USAID)</p>	<ul style="list-style-type: none"> • Licensing of artisanal fisheries ongoing • Socialization program ongoing • Observers on vessels reporting via logbooks to MAFF database; • MCS system designed and agreed, and training in progress 	<ul style="list-style-type: none"> • Licensing of artisanal fisheries ongoing • Socialization program ongoing • Observers on vessels reporting via logbooks to MAFF database • Donor support for MCS system, and training continues; • Training of Observers for off-shore monitoring completed 	<ul style="list-style-type: none"> • Licensing of artisanal fisheries ongoing • Socialization program ongoing • Observers on vessels reporting via logbooks to MAFF database; • Donor support for MCS system, and training continues 	<ul style="list-style-type: none"> • Licensing of artisanal fisheries ongoing • Socialization program ongoing; • Observers on vessels reporting via logbooks to MAFF database; • MCS system operating and monitoring reports produced • Evaluation report on the second year of offshore licensing and monitoring

<p>Implementation of Forest policies and Extension systems for integrated upland agriculture and forestry</p> <p><i>AAP 3.2;3.3; Food Crops 3.0;4.0</i> <i>AAP Forestry 2.3: Research-Extension: Extension Support sub-program</i></p>	<ul style="list-style-type: none"> • Forest regulations being implemented; • Forest Inventory ongoing. • Community Forestry strategies developed and socialization program in place • Integrated agriculture–forestry extension program in place 	<ul style="list-style-type: none"> • Data on 3 PANs collected; • National Park(s) in 1 District delineated and Land Use assessed; • Forest inventory completed for 10% (1800 km²) of total area; • Socialization program conducted in 13 Districts; • Integrated agriculture and forestry activities in 7 Districts 	<ul style="list-style-type: none"> • Data on 6 Protected Natural Areas collected • All major National Park boundaries measured. • Forest Inventory 25% complete. • National model for integrated extension services operational at District level 	<p>MAFF Directorate of Forestry and Water Resources; MAFF Dir. Services for Agric. Research. MAFF Regional Directorates; (ARP, FAO, UNDP, Japan, ACIAR, EU, NGOs)</p>	<ul style="list-style-type: none"> • Data on 1 PAN collected; • National Park assessment in progress; • Forest inventory in progress. • District Workshops – “socialization” - in progress; • Integrated activities in progress in 7 Districts 	<ul style="list-style-type: none"> • Data on 1 PAN collected; • National Park assessment in progress; • Forest inventory in progress • District Workshops – ‘socialization’- in progress; • Integrated activities in progress in 7 Districts 	<ul style="list-style-type: none"> • Data on 2 PANs collected • National Park assessment in progress • Forest inventory in progress • District Workshops – ‘socialization’- in progress; • Integrated activities in progress in 7 Districts; • MAFF guidelines for national extension services in draft 	<ul style="list-style-type: none"> • Data on 3 PANs collected; • National Park assessment complete in 1 District; • Forest inventory in progress; • District Workshops – ‘socialization’- conducted in 13; • Integrated activities in progress in 7 Districts; • MAFF guidelines for national extension services in draft
<p>C.2.3 Food Production and Food Security <i>(NDP pages 181-182 and Rain-fed upland food crops Sub-Programs 1 and 2)</i></p>	<ul style="list-style-type: none"> • Testing, multiplication and distribution of improved, high quality planting materials; • Adaptive research and extension program for key crops and active in all Districts; • Improved varieties and cultural methods adopted by farmers; • MAFF staff trained in research and extension methods 	<ul style="list-style-type: none"> • Number of participatory trials and demplots sown; • Number of improved plant types released to growers; • Adoption rates; yield increases and farmer evaluation/ acceptability of new varieties; • One MAFF research site rehabilitated 	<ul style="list-style-type: none"> • National seed and tuber testing, multiplication & distribution system established; • Farmers have access to high quality planting material of improved varieties; • 4 MAFF stations/ sites developed. Increased h/h production of food crops and income from the sale of surplus produce 	<p>MAFF Division of Food Crops, DPPPS (AusAID, ACIAR, GTZ, Japan, FAO, UNDP)</p>	<ul style="list-style-type: none"> • Results from 2005-06 harvest analyzed, published; • Training for MAFF staff; • Extension program to farmers in progress; • Betano research site rehab. in progress; 	<ul style="list-style-type: none"> • New varieties distributed to farmers; • Training for MAFF staff; • Extension and on-farm demplots conducted by MAFF, projects and NGOs • Betano research site rehab. in progress 	<ul style="list-style-type: none"> • 2006-07 program planted at all sites; • Training for MAFF staff; • Extension program by MAFF in progress; • Harvest and Evaluation of trials and farmer sites in progress • Betano research site rehab. in progress 	<ul style="list-style-type: none"> • Harvest and evaluation of trials and farmer sites in progress; • Training for MAFF staff • Extension program by MAFF in progress; • Data collection and analysis /reporting in progress • Betano research site rehab. complete
<p>Implementation of Food Security Policy <i>(AAP 2006-07)</i></p>	<ul style="list-style-type: none"> • Food Security Monitoring and Evaluation and Early Warning Systems established 	<ul style="list-style-type: none"> • New Food Security Unit and Coordinators established and functional at national and district levels; • MAFF’s MIS 	<ul style="list-style-type: none"> • Timely reports in support of food security monitoring and policy; • Outcome and impact assessments in progress; • Ongoing 	<p>MAFF Divisions of Policy Planning and Program Services; Food Security Unit; Crops</p>	<ul style="list-style-type: none"> • TOR for food security units finalized and approved; • First National Agricultural Survey (NAFFIPS) – field work completed for Agriculture; 	<ul style="list-style-type: none"> • First NAFFIPS Survey – field work completed for Fisheries • NAFFIPS data collection processing, analysis and reporting in 	<ul style="list-style-type: none"> • NAFFIPS data collection processing, analysis and reporting finalized and published • Training for FS Unit/Coordinators 	<ul style="list-style-type: none"> • Food security monitoring system in MIS database; • Food Security Unit and Coordinators working effectively

		<p>database established, current & accessible;</p> <ul style="list-style-type: none"> • Capacity of FSU and DPPPS to monitor and evaluate food security indicators 	<p>development of food security policy and strategies</p>	<p>Division; (CFET, GTZ, ARP, FAO)</p>	<ul style="list-style-type: none"> • NAFFIPS data processing commenced; • Database design in progress. • Planning commenced for Early Warning System (EWS) 	<p>progress;</p> <ul style="list-style-type: none"> • Training for FS Unit/Coordinators • Training in survey and data processing in progress; • Database design in progress • Planning for EWS in progress 	<ul style="list-style-type: none"> • Training in survey and data processing in progress • Database functional • Planning for EWS in progress 	<ul style="list-style-type: none"> • Training for FS Unit/Coordinators • Training in survey and data processing in progress • Database in use and up-to-date; • EWS being piloted.-subject to donor support
<p>Support to Agribusiness Development (AAP 2006-07)</p>	<ul style="list-style-type: none"> • Price trends for major commodities published; • Data on cost of production and enterprise models for selected commodities published; • Extension/communication of results to growers; • ASCs legally constituted, restructured and refocused 	<ul style="list-style-type: none"> • Number and quality of market-related studies conducted; • Reports on studies published and extended to farmers; • Number of farmers accessing ASC/RPO information 	<ul style="list-style-type: none"> • Two viable Agricultural Service/Business Centers; • New agricultural enterprises established in 2 Districts through ASCs; • Increases in production and marketing practices 	<p>MAFF Agribusiness Div., ASCs, ARP3, GTZ</p>	<ul style="list-style-type: none"> • Weekly market surveys conducted and results published; • Cost of production studies in progress; • Industry profiles for 9 key commodities in progress; • Legal regularization and refocusing of ASCs in progress 	<ul style="list-style-type: none"> • Weekly market surveys conducted and results published; • Cost of production studies in progress; • Commodity profiles for 9 key commodities – in progress; • Legal regularization and refocusing of ASCs in progress 	<ul style="list-style-type: none"> • Weekly market surveys conducted and results published; • Cost of production studies in progress; • Commodity profiles for 9 key commodities – in progress; • Legal regularization and refocusing of ASCs in progress 	<ul style="list-style-type: none"> • Weekly market surveys conducted and results published; • Cost of production studies in progress; • Commodity profiles for 9 key commodities – in progress ; • Legal regularization and refocusing of ASCs in progress