



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE

Implementation of the Brussels Programme of Action National Mid-Term Review

Timor-Leste 2005

Introduction

In the past three years since Timor-Leste has been independent, we have been working actively to respond to the development needs of our people, adopting a multi- sectoral approach to ensuring that progress is achieved through each and every sector. Although we embarked on this journey later than many of our colleagues, we are no less committed to not only fulfilling the seven commitments outlined in the Brussels Programme of Action, but in meeting the Millennium Development Goals, which are an important endeavor which Timor-Leste has signed onto towards improving the lives of the our people.

There is no doubt that we have our challenges. Among the twenty poorest countries in the world, and no less in the Asia-Pacific region, with one of the lowest health indicators in East Asia, we recognize that there is still much that remains to be done, particularly in the areas of agriculture, health and education.

Given the turbulent history of the country, we cannot ignore the many fundamental challenges that exist. As a new country, we have had to establish the basic systems and institutions, virtually from scratch. While we have already established basic national institutions of public administration, such as the President, Office of the Prime Minister, Parliament and Judiciary, they need continuing strengthening. Skilled staff is a further challenge, and the paucity of human resources has impinged significantly on economic growth. In working with development partners, however, we have undertaken a massive effort in providing capacity building for civil servants.

The National Development Plan, which is the guiding document for the country, sets the framework for what we need to do and how we are to get there. Set against the backdrop of the MDGs, it outlines the vision of progress for the next five years, and has recently been extended to 2007. We have also embarked on the Sectoral Investment Programs, which provides the strategic sectoral plan for each of the key areas for intervention and support. The SIPs also frame the cooperation with development partners, ensuring that collaboration supports the direction of the country planning and programmes.

This report sets the context of the challenges faced and progress made by the Government of Timor-Leste in the past three years as a sovereign nation. Moreover, it provides a glimpse into the vision and approach we have taken in meeting development issues. As the world's newest nation, we have learned from the history of our own as well as others experiences.

Progress & Challenges to Fulfilling the Seven Commitments in the Programme of Action

While it is clear that Timor-Leste still has a ways to go in comprehensively fulfilling the seven commitments outlined in the Programme of Action, we have also made clear and significant progress in the past three years. Many of these issues are in line with the strategic programme outlined in our own National Development Plan, which is framed against the backdrop of the Millennium Development Goals.

Promoting Recover to sustained strong economic growth

Timor-Leste is strongly committed to eradicating poverty for its people. As part of the National Development Plan, which serves as the overall guiding document for the country's development over the next few years, we have a Poverty Reduction Strategy that focuses on improving the productivity of the poor by achieving strong economic growth, with special emphasis on agriculture, given that in Timor-Leste, this is the main source of livelihoods for many of those living in poverty.

Economic activity historically has focused on agriculture and forestry. The former serves as the most important economic sector, contributing to approximately 30% of the overall GDP, and employing nearly 80% of the population living in rural areas. Over the past few years, structural changes in the economy are beginning to show. For example, the construction sector has downsized from 14% to 9% reflect the transfer to more periodic maintenance activities, whereas tourism have increased to 7% and transportation/communications to 9%. Unemployment remains a critical problems, estimating at 9% overall and as much as 40% among urban male youth.

Towards achieving a level of economic growth to have tangible impacts, such as absorbing a rapidly-growing labour force and improving income levels, we are employing a two-pronged approach, addressing the long-term and medium-term issues. For the former, we are implementing policies geared towards the promotion of private investment in commercial agriculture and non-farming private activity, particularly to build public infrastructure to support business growth. For the latter, we are looking to generate employment by increasing public construction activities with reference to the more vulnerable populations.

To this effect, the pattern of expenditures on a combined source basis is now undergoing changes and will continue to do so for the coming years. Important shifts in the sectoral allocations of expenditures have already been made, giving greater emphasis to public investment in infrastructure and private sector development.

Since July 2003 Timor-Leste has been taking major steps to create the policy, legislation and institutional conditions to ready the country for foreign direct investment. Toward this end, broad-based consultations were carried out with stakeholders, particularly the domestic and external private sector in Timor-Leste, to discuss the strategy and content that ultimately shaped the investment regime in the country. After over two years of planning and preparation, 2005 is the year where the National Parliament approves the two laws of investment, the external invest law and the domestic investment law, published on the 7th of June. Later on, to establish a favorable investment policy, legislation and institutional framework to promote FDI into the country the government approves the regulations that implement these laws, published on July 27th 2005. Following that, the year 2005 marks the establishment of the investment and export promotion agency – Trade Invest Timor-Leste, as well as the domestic investment agency – IADE. Thus, with the promulgation of these two sets of legislation, completes the entire cycle of investment policy and legislation, culminating with the legal creation of two investment promotion institutes, designed to function as “one-stop-shops”.

Recently, we have embarked on a state-of-the-arts savings scheme with the establishment of the Petroleum Fund law, which gives the Banking and Payment Authority (BPA) the responsibility for the operational management of the fund. Already the BPA opened a special account at the Federal Reserve Bank of New York to receive petroleum revenues, and the first payment of taxpayers was made this year. This savings policy will accumulate significant levels of savings for future benefit, as well as generating interest income, which will be important when the revenues have ceased.

Democracy & Good Governance

Governance is important to create and enabling good environment for growth and development in Timor-Leste, and with development partners, including civil society organizations and UN agencies; we have made significant progress in this area towards open, rule-based and transparent institutions. One of the more critical issues for governance focuses on capacity development and the ability of the state institutions to function effectively.

In this respect, a large-scale state institution assistance effort was launched following the independence of the country in 2002, through the provision of international advisors into key units and departments of state institutions. With an emphasis on capacity development, this intervention complemented the initial efforts of the peacekeeping operations, and facilitated the current transitional phase from peacekeeping to a longer-term development phase. Such capacity development interventions aimed at enabling the state institutions to develop sustainable capacities that will allow for growth while contributing to poverty reduction. We are also working with UNDP on the *Institutional Capacity Building Project* to build on three key areas: skills and knowledge, systems and processes, and behaviors and attitudes as a medium-term intervention to ensure a uniform approach across state institutions.

We have been progressing in ensuring political participation and community involvement in local elections, having nearly completed a successful run for local representatives. In cooperation with UNDP and other bilateral donors such as USAID, JICA, and Portugal, we have been working in areas such as logistics, voter education, public information, legal and conflict resolution towards implementing a fair and transparent process to democracy. Thus far, local elections have been completed in all Suco and aldeias in the country, the elections organized were considered quite successful, with a high turnout on average of over 80% in most Suco's. The first voter registration was conducted nationally in 2004, and the voter ID cards produced as a result are the first national ID cards in the country. In light of the national parliament and presidential elections in 2007, this local process has been a useful exercise in preparation for the following years, with our first target focused on passing the national electoral law.

The Government is taking a carefully considered and staged approach to decentralization; a core policy document on the chosen option will be available for consideration by the Council of Ministers at the end of June 2006. The national police is continuing to make steady progress in professionalizing PNTL and building an enhanced relationships between communities and police through creation on community awareness and enabling community to participate in crime prevention activities.

We are fully- committed to transparency and accountability with the establishment of the Office of the Provedor. The Office of the Provedor has core functions in the areas of human rights, anti-corruption and good governance. The challenge faced by the office of the provedor such as limited support staff and resources for public education, response to complaints, and investigations.

Gender is a priority area for the Government of Timor-Leste, and we have adopted a policy of gender mainstreaming. The National Development Plan identifies gender equality as one of the main requisites for poverty reduction, and the Constitution also establishes it as one of the fundamental objectives of the State. Thus far, modest progress has been made, though renewed and strengthened efforts will be placed

on this issue. The Office for the Promotion of Equality (OPE), as the main women's machinery in the Government, has been active in developing gender mainstreaming guidelines, establishing a gender focal point system and inter-ministerial working group, training key planning officers and gender focal points, as well as placing gender advisors in prioritized ministries.

The OPE, as key partner to the Programme for Enhancing Rural Women's Leadership and Participation in Nation Building in Timor-Leste (PERWL), in collaboration with UNIFEM, UNDP, IRLAND, Japan, JICA, USAID and CSOs/NGOs, has promoted the participation of women leaders and groups at the national and local levels on an informed basis in the processes of nation building including the elections, particularly in the most recent phased village elections which offered 1,326 reserved seats for women and with a total of 2,596 women candidates. More than 1,300 potential women candidates, candidates and those elected in 12 districts were trained on basic concepts of gender, gender and culture and principles of transformative leadership. The women were trained in order for them to establish an agreed agenda on women's empowerment, and once done, ensure a two-way responsive and accountable relationship between women leaders and their constituents. Moreover, to support women's participation in local governance structures and establishing linkages between the national and local levels as well as between women leaders in local government and their own constituencies.

Through the extensive support of UNIFEM, OPE has continued to provide support in meeting government's treaty reporting obligations under the Convention for the Elimination of All Forms of Discrimination against Women (CEDAW). In this respect, OPE has conducted training on the CEDAW Convention and treaty reporting requirements in general, for representatives of government and CSOs/NGOs at the regional level.

Social & Human Development

Human and institutional capacity development is one of the greatest challenges in Timor-Leste, given the turbulent history and subsequent high levels of poverty. Yet it is also one of the key priorities, as we recognize the importance of building human capacity to long-term sustainable development. In areas such as education and health, we are slowly making progress in this area, including increasing the budget allocation in the national budget to these sectors.

Ensuring the safety and health of women and children is critical to a sustainable society. In Timor-Leste, some of the challenges in providing quality maternal health care are the inaccessibility to health services. Given the dispersal of communities in the districts, exacerbated by the recent trend of people returning to their ancestral lands. Further challenges include attracting midwives to work in remote locations, resulting in a low rate of only 24% of births assisted by skilled attendants.

To this effect, we have recently passed the National Reproductive Health Strategy, which aims to reduce maternal and neonatal mortality through social mobilization to increase the utilization of health services by pregnant women. As part of this policy, strategies for child survival and maternal health have enabled nurses and midwives to assist in safe deliveries, and offer preventive health services to girls, pre-pregnant women, and children. The Ministry of Health has also taken the lead, with support from WHO, UNFPA and UNICEF, for producing protocols for obstetrics care. Furthermore, several training courses have been conducted for midwives, including for family planning and safe and clean delivery. In 2004, the National Family Planning Policy was approved by the Council of Ministers, which ensures family planning access and services for all individuals and couples.

In education, while recognizing the basic right of education for all children, we cannot ignore the challenges that exist for many families. Many are hindered by external factors such as access to schools, especially for those living in outlying districts. High opportunity costs in terms of loss of household

labour, poor quality of teaching and lack of adequate water and sanitation facilities all contribute to the overall low rate of attendance. Currently, the net enrolment rate in primary education is 94%, with a dropout rate of 11% and repetition rate of 11%.

To further strengthen this sector, we have increased the national budget by 35% in 2005. The Council of Ministers also recently approved a new national curriculum for primary education and the implementation will be completed in 2009, which is already being piloted, and we are progressing on implementing grade one modules nationwide. Currently, the Government has also working on curriculum for Junior high school, senior high school and professional high school and free from schooling fee. We are now working on legislation for tertiary education in order to regulate the norm, accreditation and to establish the system of the tertiary education.

The Ministry of Education is also working together with development partners, including UN agencies and bilateral donors, to improve the quality of education through teacher trainings and non-formal training programmes. The Ministry of Health has approved free school feeding for primary students, which will increase productivity and relieve additional burden from households. Furthermore, with the support of UN agencies, have developed health education modules against dengue, malaria, HIV, tuberculosis and low sanitation, to address some of the key challenges for families.

Towards the health and nutrition, some of the leading causes of child death in the country can be attributed to diarrhoea, malaria, and acute respiratory infections. These, combined with malnutrition, results in an infant mortality rate of 88 per 1,000 live births, and an under-five mortality rate of 125 per 1,000 live births. Sadly, another leading cause of death is the measles, a vaccine-preventable disease.

In this context, we have actively worked to address these challenges by approving the National Immunization Strategy in 2004, ensuring access and availability of vaccines. We have increased the immunization rate of children, so that now 55% of children are immunized against measles, and 48% are fully immunized (including BCG, DTP3/OPV3, measles and TT). There has been increased donor interests and activity in supporting the Ministry of Health in strengthening child and reproductive health, including USAID, Health Net Alliance and BASICS providing technical assistance, as well as from WHO.

HIV/AIDS, while still at a relatively low prevalence rate in Timor-Leste, nonetheless points to the importance of prevention and awareness, given the steady increase over the past few years. The Ministry of Health is currently reviewing and drafting the new National Strategic Plan to address increased attention to prevention, care and counselling. It is also implementing a Sexually Transmitted Infections (STI) programme using syndromic management training modules for staff, and is developing an STI surveillance system for enhanced monitoring, cooperating with WHO and Family Health International, an international NGO.

Partnerships and Globalisation

Infrastructure, physical, political and economic, is still plagued by challenges in Timor-Leste. As we work to ensure access to roads, electricity, water and energy, we must also face the realities of rising unemployment rates, which is now about 30% in urban areas. The reduction of UN employment has contributed to this, and the economy is unable to absorb the 11,000 new graduates each year. Though small-scale investments have materialized in agriculture and service sectors, more remains to be done.

With the revenue generated from petroleum, these have been used towards improving social infrastructure facilities and generating economic activities from productivity in agriculture, manufacturing and service sectors. Poor infrastructure is one of the key challenges to agricultural productivity. The poor tend to live

in remote and inaccessible areas, making them more vulnerable to natural disasters such as floods and landslides that impact roads. We have been making attempts to address this, particularly towards improving agriculture, which accounts for employment of three-quarters of the labour force. As part of a Community Empowerment Project in 2003, about 1,000 km of roads were built or repaired. Through a new development grants facility administered by the Asian Development Bank, we have financed infrastructure improvements, particularly main roads, urban water supply and sanitation.

Further challenges to agriculture include the lack of credit available to farmers. This leaves little recourse for most, except to borrow from relatives and/or friends, or traders. The Ministry of Development and Environment is exploring the possibility of reviving cooperative credit unions, and we have stepped up efforts to build up micro-finance institutions. The Asian Development Bank is working closely with us to strengthen the country's micro-finance policy and legal framework. Already a micro-finance institute, Instituição de Microfinanças has been established.

As a boost to encouraging and supporting entrepreneurs and building up the private sector, we are working with the World Bank on the Second Small Enterprise Project to generate employment, accelerate economic growth and improve the competitiveness of small and medium enterprises. Coffee is one of the main exports of Timor-Leste, accounting for about \$7 million in exports in 2004. Yet in an international market there is ever more intensity in competition, and we are faced with the challenge of meeting global needs with better quality products. As part of this project, five business development centers are being supported, offering basic management and entrepreneurship courses. It also includes the construction and rehabilitation of four markets across the country, and the creation of the Export Promotion Agency to promote foreign investment as well as the export of goods and services.

Environmental Sustainability and Natural Resources

The environment and natural resources is still an issue of concern to the country. Because many Timorese rely on agriculture for their livelihoods, this has had deteriorating impacts on the land. 'Slash and burn' as well as extensive logging has contributed to soil erosion and all but washed away much of the soil. Towards this effort, however, the Government has been making steady and significant progress.

The area of environmental governance is an important area, particularly for establishing a solid regulatory framework for enabling policies towards protecting the environment. Thus far, two main laws have been developed and are being reviewed by the Council of Ministers: the Environmental Impact Assessment Law and the Pollution Law. In addition, several guidelines addressing sand and gravel extraction, small landfill, environmental screening, prescribed activities for pollution and the storage of fuel and oil have been developed. While these, in addition to the regulations established during UNTAET still apply, enforcement of these policies are still in their infancy and continued monitoring will be needed.

Of the three Rio conventions, Timor-Leste has signed onto the UN Convention to Combat Desertification. Under this policy, we are now preparing a proposal to develop our national capacity, which will contribute to the development of key capabilities as well as enabling us to complete the National Action Programme for land degradation.

We are working closely with development partners to further develop and improve this sector. With UNDP, we are preparing a cost-benefit analysis towards signing on to the remaining two Rio conventions. Furthermore, we are conducting a national capacity self-assessment as part of the overall capacity gap assessment under the Global Environment Facility sponsorship. In partnership with UNDP and the British Government, we are embarking on a two-year programme for participatory rural energy development.

Moreover, the World Bank is initiating a study to prepare the National Rural Electricity Master Plan and Implementation Manual.

In addition to establishing a regulatory framework from which to implement key policies, we are also working to strengthen disaster management and enhancing emergency response. In this regard, a coordination body, the Inter-Ministerial Commission for Natural Disaster has been created and the draft National Disaster Management Plan and Disaster Risk Management Plan has been produced. Yet we realise that much more remains to be done in order to ensure a well-functioning and effective response to emergencies, and are strengthening our efforts towards the establishment of a National Disaster Operations Center, complemented by enabling and enforced policies and legislation.

The Way Forward

As we progress, there is no doubt that we will rely on the close partnerships and friendships built over the years with development partners. This includes not only bilateral and multilateral partners, such as the UN, but also the growth of civil society, as many of the organizations can reach into the communities to address grassroots issues.

In the areas of health and education, which are key priorities for Timor-Leste, we aim to ensure every boy and girl enrolled in school by the age of six and able to complete six years of quality primary school education. We must continue to implement the primary school curriculum nationwide, ensuring it reaches all communities. This, however, rests on having functioning schools for students to learn, and high quality teachers to teach. For health, further implementation and follow through of the national strategies of immunization and nutrition approved need to be conducted. We recognize the need for enhanced integration of government sectors to address health issues. Better health care, along with improved access to safe water must be addressed, with special attention paid to reproductive health, and we will continue to strengthen maternal health through effective provision of antenatal and post-natal care.

In terms of poverty, one of the best mechanisms for ensuring sustainable development is making sure there are opportunities for employment. In Timor-Leste, this means building up agriculture and rural development, given that this comprises the bulk of labour in the country. Complementary to this is ensuring better infrastructure, such as roads and irrigation, particularly in rural areas, leading to improved water and sanitation facilities.

In addition to social development, we are also committed to enhancing economic growth through promoting investments and the strengthening of the private sector. This is recognized to be one of the weaker sectors for Timor-Leste, yet we continue to support foreign direct investment in non-petroleum sectors.

At the national level, improvements in our programme planning, execution and resource absorption capacities will be vital to achieving our targeted objectives. Further refinement and implementation of the targets outlined in the SIPs need to be addressed, and in better coordination with development partners and sector working groups. Changes in the structure of the Government as well as re-alignment of ministries will also improve budget execution. Moreover, enhanced awareness and understanding of ministries on procurement procedures and management will be crucial to ensuring staff have the capacity to execute programs. This includes not only further strengthening of capacity building of public administration, but also of institutions.

The achievement of these commitments, as well as the MDGs, will rely on strong political commitment and action. In the recent GA meeting in New York, the Prime Minister unwaveringly pledged his support to meeting the goals. In this respect, Timor-Leste stands strongly behind ensuring the right of every individual to a life free of violence, hunger and poverty.