### ANNEX II

to the

COMMISSION DECISION on the financing of the annual action programme in favour of Timor-Leste for 2018


| 1. Title/basic act/CRIS number | Cooperation Support Facility II (CSF II)  
<table>
<thead>
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<tbody>
<tr>
<td>CRIS number: FED/2018/041-194</td>
<td>Financed under the European Development Fund (EDF)</td>
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</tbody>
</table>
| 2. Zone benefiting from the action/location | Democratic Republic of Timor-Leste  
| The Action shall be carried out at the following location: Timor-Leste |
| 3. Programming document | Democratic Republic of Timor-Leste / European Union  
| 11th EDF National Indicative Programme – Period 2014-2020 |
| 4. SDGs | Main SDG Goal 17 – Strengthen the means of implementation and revitalize the global partnership for sustainable development and specifically Goal 17.9 Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation.  
Secondary SDG Goals:  
- Goal 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels and specifically Goal 16.6 Develop effective, accountable and transparent institutions at all levels.  
- Goal 5 – Achieve Gender equality and empower women and girls. |
| 5. Sector of intervention/thematic area | Public sector policy and administrative management  
| DEV. Aid: NO |
| 6. Amounts concerned | Total estimated cost: EUR 3,000,000  
| Total amount of EDF contribution: EUR 3,000,000 |
| 7 Aid modality(ies) and implementation modality(ies) | Project modality  
| Direct management with Timor-Leste  
| Direct management – procurement of services |
| 8 a) DAC code(s) | Main DAC code – 15110 |
| b) Main Delivery Channel | 50000 – OTHER |
| 9. Markers (from CRIS DAC form) |  
| **General policy objective** | Not targeted | Significant objective | Main objective |
| Participation development / good governance | ☐ | ☐ | ☑ |
| Aid to environment | ☑ | ☐ | ☐ |
| Gender equality (including Women) | ☐ | ☑ | ☐ |
| In Development) |
|-----------------|-----|-----|
| Trade Development | ☑ | ☐ | ☐ |
| Reproductive, Maternal, New born and child health | ☑ | ☐ | ☐ |
| RIO Convention markers | Not targeted | Significant objective | Main objective |
| Biological diversity | ☑ | ☐ | ☐ |
| Combat desertification | ☑ | ☐ | ☐ |
| Climate change mitigation | ☑ | ☐ | ☐ |
| Climate change adaptation | ☑ | ☐ | ☐ |

10. Global Public Goods and Challenges (GPGC) thematic flagships

| Not Applicable |

**SUMMARY**

The Cooperation Support Facility II (CSF II) will contribute to the successful implementation of the development cooperation between the European Union (EU) and Timor-Leste, mainly through: (i) strengthening the capacities of the services of the EDF National Authorising Officer (NAO) and of the relevant state and non-state actors involved in EU – Timor-Leste cooperation and (ii) providing support for the design, preparation, evaluation and follow up of programmes of the EU - Timor-Leste cooperation.

The overall objective is to promote inclusive and sustainable socio-economic development of Timor-Leste.

The Specific Objective is to increase the effectiveness of NAO services in delivering the EU – Timor-Leste development cooperation.

The project expected results (outputs) are:

**Result 1** - Improved capacity of the NAO to oversee programming, identification and evaluation of programme and projects.

**Result 2** - Improved capacity for programme implementation of line ministries and other stakeholders in focal sectors in line with EU policies and strategies.

**Result 3** - Increased visibility of the EU - Timor-Leste cooperation and greater awareness on EU and its Member States' fundamental values, history and culture.

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1 CONTEXT

1.1 Sector/Country/Regional context

**Sector context**

Timor-Leste became a member of the ACP group in 2006. However, due to a high turnover of staff at the NAO Services, current staff members (some being newly recruited ones) have yet to acquire sufficient knowledge of EDF regulations and procedures to enable the NAO office to effectively fulfil its role as prescribed in the Cotonou Partnership Agreement. Moreover, regular changes in EDF procedures also require continued training. The result of the 2017 legislative elections led to important changes in the NAO institutional framework, as well as its services. Not only were these transferred to the Office of the Prime Minister, who is also the Minister for Development and Institutional Reform, but also integrated into the new organic law of the Government. This act enabled the setting up of the NAO Services into a coherent institutional structure, necessary for an effective coordination with the line ministries benefitting from the
National Indicative Programme (NIP). Although it is well understood that training is a key support that the new staff will require, time is critical for them to acquire the knowledge and skills required to function effectively.

The 2017 elections were the first conducted by the Timorese authorities without the support of the United Nations Electoral Support Team (UNEST). A minority government led by FRETILIN with PD was completed by the month of October but the President decided to call for anticipated and new elections in May 2018. This may change the political landscape as well as policy priorities of the new to be elected Government, but it is not expected to have an impact on the NAO office, because the Government has approved recently the Ministry's organic law which firmly embeds the NAO structure in the Office of the Prime Minister.

There is also a shortage of skilled human resources within the line Ministries and the other implementing agencies dealing with EU development projects, where there is a need for technical support and capacity building to ensure project identification, implementation, monitoring and effective coordination, as well as ensure visibility of EU-funded activities. Thus, it is also necessary to strengthen capacities in line Ministries and other agencies involved in EDF funded operations.

Despite the recent efforts, financed under the previous Cooperation Support Facility, the visibility of the EU is still insufficient to ensure dissemination of European values, principles and standards among Timorese population in general, but also to some extent in State Administration and other development stakeholders. The continuation and reinforcement of appropriate communication and visibility activities would greatly enhance the positive image of the EU, by raising awareness about its development assistance and its values, as well as about the link amongst EU Member States.

Finally, given the fact that Government does not always have the flexibility, within its own budget, to promote relevant training/events or procure at short notice relevant skilled expertise for technical assistance, the Cooperation Support Facility II financed under the 11th EDF will provide a useful mechanism to respond to the frequent ad hoc demands related to EU – Timor-Leste development cooperation policies and objectives.

Country context

Timor-Leste has made considerable socio-economic and political progress since independence was restored in 2002. Aided by significant oil and gas revenues since 2004 and substantial donor assistance, the country has focused on consolidating security and stability, providing a foundation for nationhood through building state institutions, rebuilding and improving its infrastructure and addressing the immediate needs of its people to alleviate poverty.

Nevertheless, fragilities remain, including a lack of economic diversification, limited policy implementation capacity, high inflation, persistent high level of poverty and low social development indicators especially in rural areas. Diversification remains a crucial challenge to generate much needed employment and poverty reduction. Given high government spending aimed at rebuilding basic infrastructure and diversifying the economy has faced significant limitations and absorptive constraints, despite support by Development Partners.

According to the UNDP Human Development Report (2016), the country has a high percentage of chronically malnourished children under the age of five (50.2%), a high poverty rate of 46.8% of its population living below the national income poverty line (2014) and a primary school dropout rate of 18.8% while the Human Development Index (HDI) at 0.605 places Timor-Leste in the 133rd position of the HDI countries rank. In addition, Gender-based violence remains a pervasive problem. More than a third (38%) of Timorese women report experiencing violence in their adult lives.
Within this context, the Timor-Leste Authorities are currently implementing the Strategic Development Plan (SDP) 2011-2030. All the strategies and actions featured in this Plan seek to transform Timor-Leste by 2030 from a low-income country into a medium-high income country, with a healthy, educated and safe population and a society that is prosperous and self-sufficient in terms of food. Timor-Leste’s commitment to and its progress in gender equality is reflected in the strong ratio of girls to boys in primary school and the proportion of women in the National Parliament, armed forces and the police, which is among the highest in the world.

Gender Equality is enshrined in Timor-Leste’s Constitution, which states that all citizens are equal before the law and that no one shall be discriminated on grounds of different criteria among them gender. A Gender specific ministry-level organism was created, the "Support and Socio-Economic Promotion for Women" (SEM), which is responsible for the settlement and enforcement of policies and laws, gender mainstreaming in ministries (training, research, planning, monitoring and evaluation) and the general promotion of gender equality. In addition to the national legal framework the Government of Timor-Leste has ratified most important International Treaties.

Regional context

Timor-Leste’s presence and importance on the international scene is growing through its participation in several international/regional groupings, such as the African, Caribbean and Pacific (ACP) group, the Portuguese Speaking African Countries and Timor-Leste (PALOP-TL), the Community of Portuguese Speaking Countries (CPLP), the Pacific Island Forum (PIF), the Small Islands Developing States (SIDS), the Association of South-East Asian Nations (ASEAN) where it is candidate country, and other organisations, such as the Group of Fragile States (g7+).

Timor-Leste's regional integration is an ongoing process, benefiting from the EU support in the framework of the Timor-Leste’s request to join the ASEAN and from the EU funding provided to support the Pacific Islands Forum, as well as cooperation among PALOP-TL countries. Better regional integration will also help Timor-Leste to better benefit from the Pacific Regional Indicative Programme (PRIP), which includes inter alia projects on Ocean Governance, Waste Management, Public Finance Management, Gender / Ending Violence Against Women and also a component on trade/private sector support which may be further developed with the European Investment Bank or another Development Bank.

1.1.1 Public Policy Assessment and EU Policy Framework

Timor-Leste has focused on consolidating security and stability, providing a foundation for nationhood through building state institutions, improving its infrastructure and addressing the immediate needs of its people to alleviate poverty. For the current action, the following policies are particularly relevant:

The Strategic Development Plan 2011-2030 (SDP) identifies the strengthening of its institutional framework as a key pillar for the social and economic development of Timor-Leste. Through the development of transparent, accountable and competent institutions, the country can achieve stability, security, rule of law enforcement and access to justice for all citizens, while the SDP constitutes the umbrella framework for most sectorial development plans. For instance, the Ministry of Finance (MoF)'s Strategic Plan for 2011-2030 focuses largely on the continued strengthening of public finance management. The Justice Sector Strategic Plan stresses as one of the key principles that justice institutions and its individual members should be held accountable for their acts and for the use of State Public resources, while it also emphasises that transparency

1 See cross cutting issues for more details
of administrative acts and access to information are crucial pre-requisites for the effective accountability of public powers.

The Ministry of Agriculture and Forestry Strategic Plan has as main objectives to (i) focus on agricultural and rural development which supports small farmers and promotes improved markets in order to reduce poverty; (ii) ensure food and nutrition security, and sovereignty; and (iii) promote economic growth and employment in rural areas, and thus across the nation. The Timor-Leste National Nutrition Strategy aims to accelerate a reduction of maternal and child undernutrition through implementation of nutrition specific and key nutrition sensitive interventions.

The 2008 Decentralization Policy (not part of the SDP) and related implementation Strategy (the Decentralization Strategic Frameworks I and II) provides only basic legislation (a Local Government Act and a sub-national Electoral Law) drafted first in 2009 and then again in 2017, but it is expected that after the elections the new Government will give renewed impetus to this topic.

The above policies are implemented with varying degrees of effectiveness and credibility. For instance, the Public Finance Management Reform is well formulated and implemented. For other sectors (rural development, nutrition), there is a concern that national budgetary allocations remain low, leaving Development Partners to fill the gaps.

The proposed action is in line with the European Consensus on Development "Our World, our Dignity, our Future" which is at the heart of the EU's approach to SDG implementation. The new Consensus contributes to the objectives and principles of EU external action as laid down in the Lisbon Treaty, and supports the Global Strategy on the EU's Foreign and Security Policy presented in June 2016 by the High Representative. In particular, the following priorities framing the 2030 Agenda will be at the core: People (human development), Planet (tackling climate change), Peace (good governance) and Partnerships (inclusive, multi-stakeholder partnerships), further reinforcing the commitment made under the 2030 Agenda for Sustainable Development. The Sustainable Development Goals (SDGs) will be a cross-cutting dimension for the implementation of the EU's Global Strategy.

The CSF II will endeavour to consolidate EU policies concerning, inter alia, the Agenda for Change, Paris Agreement on Climate Change, and the Gender Action Plan. It is also fully in line with the Cotonou Agreement and the Joint Communication "Towards a renewed partnership with African, Caribbean and Pacific countries after 2020" helping to strengthen the capacities which will be required to implement this new, reinforced partnership with the region.

The EU-Timor-Leste 11th EDF National Indicative Programme is focused on two sectors: (i) Good Governance, through supporting reforms of the public finance management (PFM) system and check and balance institutions to ensure an effective and transparent implementation and monitoring (oversight) of development policies and (ii) Rural Development with specific emphasis on agro-forestry activities to promote food production and income diversification, skill development in rural areas in key sectors (rural roads’ construction and maintenance) and on nutrition interventions.

Although Timor-Leste benefits from EU financial support through its memberships of PALOP-TL (Portuguese-speaking African countries and Timor-Leste) and the Pacific Islands Forum, it has not been able to capture the opportunity to further develop its economy and integration into the Pacific Region. Programmes under the Pacific Regional Indicative Programme include support for trade and regional integration, gender, water and sanitation, better management of natural resources (including climate change) and improved peace and security. Under the 11th EDF (EUR 166 million) commitments stood at 62 % in February 2017, while most of the 10th EDF (EUR 114 million) funded regional actions were closed or in their final stages.
The NIP can be complemented by operations financed by the European Investment Bank from the Cotonou Investment Facility, Investment Facility for the Pacific and/or its own resources, in particular for infrastructure and sustainable energy, as well as for investments fostering the financial and private sector, in particular the development of Small and Medium Enterprises. Timor-Leste may also benefit from the EU’s Partnership Instrument, to foster joint ventures between European and Timorese companies. The EUD closely coordinates with EIB for identifying (EIB funded) operations, including blending, that are complementary to the NIP.

1.1.2 Stakeholder analysis

In 2017, the NAO institutional framework was strengthened by a transfer of the NAO functions to the Office of the Prime Minister, who is also the Minister for Development, and also integrated into the organic law of the Government. This act enabled the NAO Services to be set-up into a coherent institutional structure, necessary for an effective coordination with the line ministries benefitting from the NIP. This was in line with the recommendations of the Mid Term Review that was carried out during the last quarter of 2017, and which were reviewed and discussed with the main interlocutor and target of the action, namely the Office of the Prime Minister, Ministry of Development and Institutional Reform and NAO services, which played a critical role in the design of the project. The Ministry of Development and Institutional Reforms also covers public works and decentralisation.

Other target groups are inter alia the Line ministries involved in EDF implementation including Ministry of Agriculture and Forests, Ministry of Finance and Planning, and the Ministry of Health. The limited availability of well-educated and skilled civil servants and/or the high turnover of staff in State Administration functions are a too frequent reality that will only be overcome through long term political priority in education and public investment in human capital. While support for capacity building for these ministries is foreseen under the two focal sectors, ad hoc support (studies, seminars…) for specific needs and areas may be needed. The Ministry for Development and Institutional Reform, and State Administration as well as institutions and agencies at decentralised level have expressed interest for capacity building for the decentralisation process which the EU intends to support.

The target groups also include the media sector in Timor-Leste which is characterised by the existence of many news organisations (several daily/weekly newspapers and radio stations). Journalists and news organisations in general still need further reinforcement, in order to contribute for the good accountability of the public powers through the dissemination of accurate information to the public.

The final target group is Civil Society Organisations (CSOs) and non-state actors which play an important role to hold the government, the parliamentary representatives and the public officials accountable for the use of public funds to effectively deliver services to the citizens. A number of CSOs have been increasingly involved in providing information and debating with Parliament on Government policies, planning, budgeting and performance, yet further capacity building is still needed.

Coordination with other development partners (World Bank, Ausaid, USAID, Portugal, JICA, ADB etc) takes place through regular development partner meetings in the different sectors.

Major constraints of the main direct beneficiaries are well known, and will only be (gradually) overcome through long term political priority in education and public investment in human capital. The limited availability of well-educated and skilled Civil Servants and/or the high turnover of staff (or “internal brain drain”) in State Administration functions are a too frequent reality.
The ultimate stakeholders and beneficiaries of the Action however are the beneficiaries of EU funded actions, i.e. the people of Timor-Leste.

1.1.3 Priority areas for support/problem analysis

The shortage of qualified and skilled people, language barriers, and the absence of effective capacity building strategies represent major challenges to ensure fully functional and effective State Institutions in all sectors. Capacity building remains a significant challenge and further support is still needed to reinforce those public entities that need technical assistance and training to build up capacity related to EU development cooperation objectives, in particular with respect to governance, rural development including nutrition, and also decentralisation. Moreover, capacity of Civil Society Organisations is also, in general, weak.

Timor-Leste has up to now not benefited much from the RIP as well as Intra ACP funding, partly due to its geographic location (Timor-Leste is almost two days travel away from Fiji, the main hub of the Pacific cooperation), which hinders communication and speedy implementation, and partly due to the fact that it joined the Pacific Region only relatively recently and is not (yet) a full member of all Pacific Regional Organisations. Visibility of EU cooperation has been relatively limited due to the lack of a Press and Information Officer in the EUD. The project aims to address this by a coherent support for visibility actions under the CSF II.

Therefore, the priority areas are those directly related to training and capacity building of relevant human resources of the beneficiary institutions and civil society organisations in the 2 focal sectors identified in the NIP: good governance and rural development. The support will also cover several cross-cutting issues such as gender and environment. It will also try to facilitate the involvement of the EIB with respect to programmes in the focal sectors of the PRIP from which Timor-Leste can benefit. Through strengthening capacity and raising awareness in specific areas, the CSF will indirectly contribute to better budgetary allocations in the focal sectors.

2 RISKS AND ASSUMPTIONS

<table>
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<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
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<tbody>
<tr>
<td>The results of the new elections may have an impact on the new</td>
<td>M</td>
<td>Continuous dialogue with members of major political parties.</td>
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<td>Government, which may result in other cooperation priorities.</td>
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<tr>
<td>Any further institutional changes that will affect the NAO’s current</td>
<td>L</td>
<td>This risk now appears to be low because the Government has approved recently the</td>
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<tr>
<td>location within the Government of Timor-Leste and/or the NAO</td>
<td></td>
<td>Ministry’s organic law which firmly embeds the NAO structure in the Office of the</td>
</tr>
<tr>
<td>Services under the Office of the Prime Minister and Minister for</td>
<td></td>
<td>Prime Minister.</td>
</tr>
<tr>
<td>Development and Institutional Reform.</td>
<td></td>
<td>Policy dialogue with the Government of Timor-Leste to avoid institutional changes</td>
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<tr>
<td></td>
<td></td>
<td>that affect the NAO’s current location.</td>
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<tr>
<td>Inability of the Government to allocate adequate qualified staff to</td>
<td>L</td>
<td>To mitigate this risk, the NAO has approved the secondment of 2 civil servants to</td>
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<tr>
<td>the NAO Services.</td>
<td></td>
<td>assist in the functioning of the relevant office</td>
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Departure and high turn-over of trained staff in both, the NAO's structure and in line Ministries.  

Use of CSF II funds for too many incoherent ad hoc requests covering too many different sectors outside of the 11th EDF focal sectors and EU development cooperation priorities.

Assumptions

It is assumed that socio-political stability will be maintained and the cooperation between EU and Timor-Leste will continue to be carried out in the current spirit of partnership and mutual respect.

3 Lessons learnt, Complementarity and Cross-cutting Issues

3.1 Lessons learnt

The proposed CSF II project builds on the ongoing Cooperation Support Facility (CSF) financed under the 11th EDF. Indeed, the CSF had EUR 5 million budget over 4 years and a two-fold approach: (i) to support the capacity of the services of the EDF National Authorising Officer (NAO) to manage EU - Timor-Leste cooperation; and (ii) to provide timely and flexible financing for technical assistance, training, seminars, events and visibility activities in line with Government and EU development cooperation priorities and with a view to strengthen the capacity of state institutions in key strategic areas of Timor-Leste and EU development policies. The CSF also provided funds for expertise to improve coordination in the Agriculture and Fishery sector, to support the legal capacity development adviser of the Office of the President, to support the visibility of the EU - Timor-Leste Cooperation and to strengthening the monitoring and evaluation in Timor-Leste.

A mid-term evaluation conducted between August and December 2017 made a number of recommendations that were addressed as follows: the NAO institutional framework was strengthened by a transfer of the NAO functions to the Office of the Prime Minister, who is also the Minister for Development, and also integrated into the organic law of the Government. This act enabled the NAO Services to be set-up into a coherent institutional structure, necessary for an effective coordination with the line ministries benefitting from the NIP. Furthermore, the intervention strategy was refocused on capacity building by strengthening manpower as well as training. 2 senior civil servants of the Office of the Prime Minister were seconded to NAO Services, thus strengthening the overall management of the programme and a programme coordinator and 3 Programme Officers (Rural Development, Good Governance and Regional Projects) were recruited while an Inter-ministerial Focal Point Network (IFPN) was set up by the

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2 After the elections of 12 May 2018, the NAO office was transferred back to the Ministry of Foreign Affairs.
NAO Services to facilitate the provision of capacity building to line ministries and State entities requiring TA. Finally, the activities of the TA to the NAO Services were refocused on the NAO Staff capacity building, abandoning the (previous) day-to-day office management efforts, in order to provide advisory services and training and to strengthen the knowledge of operational and contractual and financial procedures etc.

The main lesson learnt from the on-going CSF project is that the intervention strategy must be implemented with a methodological approach focused on an intensive capacity building process. In fact, the intervention strategy premise of the ongoing CSF (strong NAO and line ministries TA support) was supposed to address the problem of insufficient capacity of the NAO Services and of the most relevant line ministries, but the intended goal has not been achieved. Since March 2018, the NAO Services are fully staffed and there is evidence that there will be sufficient improvement in the capacity of the NAO office. However, more efforts will be needed to capacitate line ministries, civil society and non-state actors, to efficiently identify, formulate, manage, and monitor projects financed from national and regional indicative programmes and intra ACP resources.

3.2 Complementarity, synergy and donor coordination

The ongoing CSF which aimed at transferring to the NAO office staff the principles of the EDF rules and procedures through the provision of long- and short-term technical assistance is also financing the cost of office staff and operations. It provides financial resources for training and participation in seminars and conferences by Timorese officials. The ongoing long-term TA contract will expire in February 2019, and the Programme Estimate which finances staff costs and office operational expenses will also end in February 2019. Meanwhile, the CSF II will aim to benefit from experience learned from the Technical Cooperation and Capacity Building Facility (TECCBUF 2018-2023) programme under the Pacific RIP that is about to start.

Timor-Leste also benefits from EU funded projects (multi-countries PALOP-TL programme and the Pacific Regional Indicative Programme) which provide for training activities and participation of Timorese in meetings and conferences. This calls for a good coordination, and during the Pacific Regional Steering Committee meeting in February 2018 good progress was made for better interaction with Pacific regional organisations such as the Pacific Islands Forum (PIF) and the Council of Regional Organisations in the Pacific (CROPs).

The Prime Minister and Minister for Development and Institutional Reform is since September 2017 in charge of external assistance coordination. The Government and Development Partners will carry on undertaking Development Partners Meetings, coordinated by the Aid Effectiveness Directorate of the Ministry of Planning and Finance, which are held once a year to discuss, amongst others, effective ways to enhance coordination and alignment, and to combat poverty. Sector Working Groups were also established by Government and stakeholders to address SDP priority sectors (such as economic, social, infrastructure and governance).

In accordance with the Paris, Accra and Busan aid effectiveness commitments, the EU and Member States are promoting stronger coordination, division of labour and aid effectiveness among the donor community. At internal EU level and following the relevant code of conduct, the EU is working towards a common approach and a reinforced frank political dialogue as provided for under article 8 of the Cotonou Agreement.

Under the project, regular steering committee meetings will be organised to ensure complementarity and synergies within the main projects as well as with other development partners as relevant.


3.3 Cross-cutting issues

Participation of women in decision making remains very limited and Gender Based Violence (GBV) is a pervasive problem and a major public health issue with long-term consequences for women’s physical, mental, and reproductive health. The EU gender analysis identifies actions to make visible gender interventions, to decrease gender gaps, increase dialogue with partners (Government, DPs, and Stakeholders) and improve women empowerment, and includes indicators for this purpose. The CSF II will ensure the mainstreaming of gender oriented policy and focus will be placed on equal participation of women in the provision of training opportunities under the project, with monitoring on the basis of sex-disaggregated data.

Other cross-cutting issues, such as climate change, environmental sustainability, human rights are also integrated into the design of the CSF II. Terms of Reference for short and medium-term consultants will specifically elaborate these aspects. In addition, all cross-cutting issues will be mainstreamed in the actions supported by the project, either in identification and formulation of 11th EDF programmes or in providing resources for training, communication and visibility actions dealing with these issues.

In addition, a communication strategy has been developed under CSF I which includes social campaigns on gender and human rights with activities aimed at involving the Timorese youth and increase their awareness in all gender-based violence and need for equal opportunities. The CSF II will provide a structured support and follow up to this initiative.

4 Description of the action

4.1 Objectives/results

The overall objective is to promote inclusive and sustainable socio-economic development of Timor-Leste.

The Specific Objective is to increase the effectiveness of NAO services in delivering the EU-Timor-Leste development cooperation.

The Expected results are:

Result 1 - Improved capacity of the NAO to oversee programming, identification and evaluation of programme and projects

Result 2 - Improved capacity for programme implementation of line ministries and other stakeholders in focal sectors in line with EU policies and strategies.

Result 3 - Increased visibility of the EU - Timor-Leste cooperation and greater awareness on EU and its Member States' fundamental values, history and culture.

The CSF II is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 17 – Strengthen the means of implementation and revitalize the global partnership for sustainable development and specifically to Goal 17.9 – Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation, but also promotes progress towards Goal 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels and specifically to Goal 16.6 – Develop effective, accountable and transparent institutions at all levels. This does not imply a commitment by Timor-Leste benefiting from this programme.

4.2 Main activities

The project will principally undertake the following main activities:
**For Result 1**
Capacity building support to NAO Services: technical assistance, advisory services and training to strengthen knowledge of operational and contractual and financial procedures, monitoring and reporting, programming, human resources management, and office management systems;

**For Result 2**
Short-term training and studies and short term missions covered by the technical assistance service contract involving all aspects of project cycle management, EDF regulations, guidelines and implementation modalities, cross-cutting issues in addition to interventions to support key priorities of line ministries, civil society and non-state actors in line with EU development cooperation priorities. This will include specific activities to support gender mainstreaming; Conferences and seminars related to the priorities of the ACP-EU Partnership Agreement (structural adjustment, democracy and human rights, sustainable development, environment including climate change, gender equality, trade, etc.) or to EDF or other EU administrative and financial procedures, intra-ACP, PALOP-TL (if not covered by the regional PALOP-TL allocation), Pacific Island Forum and regional issues (including ASEAN);
Support and advisory services to assist Timor-Leste institutional capacity building as well as supporting accession process to ASEAN and to strengthen the Government's capacity to meet its ASEAN commitments.

**For Result 3**
Visibility related activities covering the various EU-funded projects/programmes (press releases, brochures, success stories of EDF funded operations, facilitation visits to sites by media representatives, different types of promotional materials organising/sponsoring relevant culture/youth events, etc.) will aim at informing the public at large of the EU's support to the country's socio-economic development in accordance to the communication strategy developed under CSF I. This includes social campaigns reflecting the NIP priorities.

**4.3 Intervention logic**
The CSF II’s intervention logic stems from the need to address a key lesson learned from the previous project (CSF I), where the NAO Services were not able to establish a coherent coordination process amongst all ongoing components of the NIP’s focal sectors and activities, but rather approached them as a vertically integrated set of events. The NAO office has in the meantime been reorganized and fully staffed with resources from the CSF I.

Indeed, the limited capacity to establish a strong coordination between the NAO Services and the line ministries and public entities (and among themselves) laid in the fact that poor senior management by the then Deputy NAO, the total absence of Programme Officers (POs) for more than one year, and the legal setting of the NAO under one of the line ministries (Foreign Affairs) made it difficult to establish a network of inter-ministerial focal points for more timely interactions, dialogues and team building initiatives, comprising technical staff from different beneficiaries.

The present organizational structure of the NAO Services under the Minister of Foreign Affairs enables the possibility of having three different levels of decision-making (political, cross-cutting coordination and operational). Moreover, it clearly allocates staff to distinct technical subject matters, which not only allows for the POs specialisation, but also improves information sharing about issues originated from EU funded activities and their specific executing agencies.

Hence, the intervention logic is that training and capacity building will help civil servants from NAO and line ministries (at different levels of management) to know more about a large range of activities being funded by EDF and thus contribute to a better coordination of State
administration responsibilities and tasks— even though funding can come from diverse sources (Government own resources, multilateral and bilateral donors, PPP, blending, etc.) namely following the post-2020 changes that are bound to occur in the international development cooperation field. It is assumed that the NAO and ministry representatives to be trained by the Action will remain in their posts and have opportunities to apply what they have learned in their jobs.

In addition, the Action will enhance the visibility of the EU - Timor-Leste cooperation and create greater awareness of the EU and its Member States’ fundamental values, history and culture. By following this comprehensive approach – focusing on building internal government capacities and raising public (external) awareness of development cooperation efforts – the Action will reach the Specific Objective of increasing the effectiveness of NAO services in delivering the EU - Timor-Leste development cooperation. In the long term, this Action will contribute to the sustainable socio-economic development of the country (the Overall Objective).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this project, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this project, during which the activities described in section 4.1. will be carried out and the corresponding contracts and agreements implemented, is 60 months from the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

The project will be implemented through direct management (service contracts procured by EU Delegation, technical assistance in support of EU - Timor-Leste cooperation and/or to build capacity of State and Non-State Actors in key EU - Timor-Leste development priorities, evaluation, and Audit), and direct management by the NAO service in Timor-Leste (Operating Grant only includes the operating/running costs of the NAO office over 60 months of the implementation of CSF II). This modality was chosen after the elections on May 2018 when in the new Government the NAO service moved back to the Ministry of Foreign Affairs and Cooperation (MoFAC), out of the Prime Minister's Office. Two months after the new government was inaugurated, there was still no DNAO officially nominated, neither a Vice Minister. Under the sixth Government, decision making was on many occasions blocked due to a not very well functioning NAO office. In order to avoid this, the choice was made to provide an operating grant to the NAO, coupled with a technical assistance service contract managed by the EU Delegation, instead of a continuation of the Programme Estimates.

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation³.
5.3.1 Procurement direct management

For the Technical assistance in support of EU - Timor-Leste cooperation and/or to build capacity of State and Non-State Actors in key EU - Timor-Leste development priorities the EU Delegation will award a service contract following an international restricted tender. This tender will be launched under a suspensive clause prior to the adoption of this decision. This is justified because the ongoing CSF FED/2014/37442 will end in February 2019 and there will be no funding until the CSF II is approved and becomes operational, therefore there is urgent need to launch the tender with suspension clause so that the contract can be awarded on time to cover the needs that might be raised during 2019 after the end of the ongoing CSF.

This action with the objective to provide capacity building support to NAO Services, line ministries, civil society and non-state actors is in line with EU development cooperation priorities, and visibility related activities covering the various EU-funded projects/programmes.

<table>
<thead>
<tr>
<th>Subject</th>
<th>Type (works, supplies, services)</th>
<th>Indicative number of contracts</th>
<th>Indicative trimester of launch of the procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical assistance in support of EU - Timor-Leste cooperation and/or to build capacity of State and Non-State Actors in key EU - Timor-Leste development priorities</td>
<td>services</td>
<td>1</td>
<td>Q1 of 2019</td>
</tr>
<tr>
<td>Evaluation and Audit</td>
<td>services</td>
<td>3</td>
<td>2 Evaluation - Q2 of 2020 and Q4 of 2022 1 External Audit Q4 2022</td>
</tr>
</tbody>
</table>

Overview of implementation

<table>
<thead>
<tr>
<th>Activity/objective/result</th>
<th>Type of financing (works, supplies, or service contract, grant, programme estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result 1 - Improved capacity of the NAO to oversee programming, identification and evaluation of programme and projects</td>
<td>Operating Grant and service contract</td>
</tr>
<tr>
<td>Result 2 - Improved capacity for programme implementation of line ministries and other stakeholders in focal sectors in line with EU policies and strategies.</td>
<td>service contract</td>
</tr>
<tr>
<td>Result 3 - Increased visibility of the EU - Timor-Leste cooperation and greater awareness on EU and its Member States’ fundamental values, history and culture.</td>
<td>service contract</td>
</tr>
</tbody>
</table>

Grant: direct award of an Operating Grant

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

In line with the NIP 2014-2020, this Action foresees funding to support the running costs of the NAO that will be provided by way of an operating grant. The running costs will mainly include salaries, office utilities and some minor supplies. No budget implementation tasks will be carried
out by the NAO. Therefore, activities and secondary commitments that would normally be part of the Programme Estimate under Indirect management will be encompassed under a service contract of Technical assistance (see 5.3.1.above).

(b) Justification of a direct grant

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to the office of the National Authorising Officer of Timor-Leste.

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the beneficiary is in a de jure monopoly situation and the action has specific characteristics requiring a specific type of beneficiary for its technical competence.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this operating grant is 100%

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement: first trimester of 2019

The rest of the allocation (not including Evaluation and Audit) will be contracted through a service contract following an international restricted call for tenders. See Section 5.3.1.2 above for details.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with EDF-ACP States Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases, where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget:

<table>
<thead>
<tr>
<th>Services</th>
<th>EU contribution (amount in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct management with Timor-Leste (Operating Grant)</td>
<td>600,000</td>
</tr>
<tr>
<td>Direct management (procurement of services)</td>
<td>2,250,000</td>
</tr>
<tr>
<td>Evaluation and Audit</td>
<td>150,000</td>
</tr>
<tr>
<td>Total budget</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

Under Direct management, the envelope of the Operating Grant only includes the operating/running costs of the NAO office. Therefore, activities and secondary commitments that would normally be part of the Programme Estimate under Indirect management would be encompassed under a service contract of Technical assistance.

### 5.6 Organisational set-up and responsibilities

The NAO Services organisational set-up and responsibilities are as follows:

The National Authorising Officer is the Minister of Foreign Affairs of the Democratic Republic of Timor-Leste.

The NAO Services are under the general management of the EDF Programme Manager who has day to day responsibility for running all the administrative, financial and human resources matters. The NAO Services comprise four Programme Officers in the following fields: (i) Rural Development including rural roads and nutrition, (ii) Good Governance including PFMO, (iii) Regional Programmes including PALOP-TL and Pacific, (iv) Communication and Visibility. There are also two Imprest Officers (Administrator and Accounting) as well as general support staff.

The office of NAO Services is located in the Ministry of Foreign Affairs and does not pay any rent or expenses for water and electricity. The security of the premises is also under the responsibility of the Ministry of Foreign Affairs.

Implementation of the Cooperation Support Facility II will require regular, inclusive policy dialogue at different levels: through the Programme Management and under the NAO and EUD leadership through the oversight provided by the "NIP Steering Committee" (NIPSC).

The multi-sectoral NIP Steering Committee (NIPSC) has been set up to oversee and validate the overall strategic direction and policy for the implementation of the various NIP Actions (PSAF, PFMO, PINTL, FIRST, etc.) to facilitate multi-sectoral working, programme linkages, cross learning and joint planning.

The NIPSC is co-chaired by the National Authorising Officer (NAO) and the EU Delegation and will meet twice a year and on an ad hoc basis as required. It would be made up of core representatives of the institutions/entities concerned (MoF, MoH, MoA, KONSSANTIL, Autonomous Health Agencies (SAMES, INS), and Municipalities. Other government stakeholders (MoTPW, MoP, SEIGIS, MoE, etc.), relevant development partners (DFAT, USAID, etc.); implementing partners may also be included according to specific issues to be dealt with by the Steering Committee.

### 5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.
Monitoring of training activities progress will include specifically how well training participants are able to apply what they have learned after a period of time, disaggregated by sex.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation will be carried out for this action or its components, via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to the need to define levels of acquisition of skills deemed necessary for carrying on an efficient coordination of programme implementation required by the Office of the Minister of Foreign Affairs, through inter-ministerial information sharing and gap identification, as well as training requirements by civil servants and mid-management level of State Administration staff.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner, at least one month in advance, of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and, inter alia, provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, three contracts for audit services shall be concluded under framework.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.
The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes will be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators will be disaggregated by sex whenever relevant.

<table>
<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
<th>Baselines (incl. reference 2015 - 18) CSF I</th>
<th>Targets (incl. reference 2019 - 21) CSF II</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific objective: Outcomes</td>
<td>To increase the effectiveness of NAO services in delivering the EU - Timor-Leste cooperation.</td>
<td>1. Formulation and approval of contracts of the ongoing projects in accordance with agreed work plan 2. % of projects with positive ROM outcomes 3. Number of articles and TV news in which EU - Timor-Leste cooperation is featured.</td>
<td>1. 12 contracts implemented during the CSF1 operational phase 2. 10 projects during the CSF1 operational phase positive ROM 3. 48 articles and 67 TV news in which EU -</td>
<td>1. 100% of the foreseen contracts formulated and approved by the end of the CSFII operational phase in accordance with agreed workplan. 2. 75% of projects with positive ROM outcome (a or b) by end of the CSF operational phase</td>
<td>1. Signed contracts, agreed workplan and progress reports. 2. ROM reports 3. Press and Information</td>
</tr>
<tr>
<td>Outputs:</td>
<td>Timor-Leste cooperation is featured during the CSF operational phase</td>
<td>3. 70 articles and news published by the end of the CSF operational phase</td>
<td>Officer/PE Report</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Output 1</strong> - Improved capacity of the NAO service to oversee programming, identification and evaluation of programme and projects</td>
<td>1.1 Annual commitment and disbursement rates of all EU funded programs in Timor-Leste</td>
<td>1.1 100% annual commitment and disbursement rates of all EU funded programs in Timor-Leste in accordance with yearly Forecast</td>
<td>NAO office will remain fully staffed and retain strategic location at Prime Minister's office</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.2 % of NAO staff who said their training met their needs to a high degree (disaggregated by sex)</td>
<td>1.2 Measure not in use currently</td>
<td>NAO staff trained by this Action will remain in their posts and have an opportunity to apply what they have learned in their jobs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.3 Number of NAO staff trained (disaggregated by sex) on operational and contractual and financial procedures, and EDF regulations</td>
<td>1.3 For CSF2: 100 people trained (50 men, 50 women) on operational and contractual and financial procedures, and EDF regulations</td>
<td>Relationships with line ministries continue at good levels.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.192 % total amount of contracts signed, and 66% total amount disbursed during CSF 1 (EUR 3.5 M)</td>
<td>1.190 beneficiaries trained (45 men and 45 women); 2.2 90% satisfaction rate with the training delivered</td>
<td>Ministry staff trained by this Action will remain in their posts and have an opportunity to apply what they have learned in their jobs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.2 Measure not in use currently</td>
<td>2.2 90% satisfaction rate with the training delivered</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.3 total for CSF1: 88 staff trained (50 men and 38 women)</td>
<td>2.2 Training evaluation database</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Output 2</strong> – Improved capacity for programme implementation of line ministries and other stakeholders in focal sectors in line with EU policies and strategies.</td>
<td>2.1 Number of beneficiaries trained by the action relating to priorities of the ACP-EU Partnership Agreement,</td>
<td>2.1 Database of training participants (disaggregated by sex)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.2 Percentage of attendees (data disaggregated by sex) who express satisfaction with training delivered.</td>
<td>2.2 Training evaluation database</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.1 total for CSF1: 75 persons (40 men and 35 women)</td>
<td>2.1 90 beneficiaries trained (45 men and 45 women);</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Output 3** -
Increased visibility of the EU - Timor-Leste cooperation and greater awareness on EU and its Member States’ fundamental values, history and culture.

| 3.1 Number of social media likes; | total for CSF1: |
| 3.2 Number of visibility items distributed to stakeholders, brochures; | 3.1. 6,600 likes |
| 3.3 Number of press releases, | 3.2. 30,000 visibility items distributed to stakeholders, |
| 3.4 Number of site visits by media representatives, | 3.3. 14 press releases |
| 3.5 Number of visibility events, including project-related ceremonies | 3.4. 18 site visits |
| 3.5. 9 events | 3.5. 9 visibility events, including project-related ceremonies |

Continued high professional performance of staff dealing with visibility.

- 3.1. 8000 social media likes
- 3.2. 30,000 visibility items distributed to stakeholders, |
- 3.3. 15 press releases, |
- 3.4. 20 site visits by media representatives, |
- 3.5. 9 visibility events, including project-related ceremonies |