This action is funded by the European Union

ANNEX VIII

of the Commission Implementing Decision on the Annual Action Programme 2019 (part III) for Environment and Climate Change under the Global Public Goods and Challenges Thematic Programme, to be financed under the general budget of the Union

Action document for GCCA+ Support to Timor-Leste Environment Action

**ANNUAL PROGRAMME**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation Nº 236/2014.

| 1. Title/basic act/CRIS number | GCCA+ Support to Timor-Leste Environment Action  
CRIS number: ENV/2019/42163  
financed under the Development Cooperation Instrument |
|-------------------------------|------------------------------------------------------------------------------------------------|
| 2. Zone benefiting from the action/location | Timor-Leste  
The action shall be carried out at the following location:  
Timor-Leste |
| 4. SDGs | SDG 13 Climate Action  
Other SDGs: SDG 1 – No Poverty, SDG 5 – Gender Equality, SDG 15 – Life on Land |
| 5. Sector of intervention/thematic area | ENVIRONMENT  
CLIMATE CHANGE  
DEV. Assistance: YES |
| 6. Amounts concerned | Total estimated cost: EUR 5 000 000  
Total amount of EU budget contribution: EUR 5 000 000 |
| 7. Aid modality(ies) and implementation modality(ies) | Project Modality  
**Direct management** through:  
Grants - Call for proposals  
Procurement |
| 8 a) DAC code(s) | 41010 environmental policy and administrative management |
b) Main Delivery Channel


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<th>9. Markers (from CRIS DAC form)</th>
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<th>Principal objective</th>
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<td>Participation development/good governance</td>
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<td>Gender equality and Women’s and Girl’s Empowerment</td>
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<td>Reproductive, Maternal, New born and child health</td>
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<td>Disaster Risk Reduction</td>
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<tr>
<td>Climate change adaptation</td>
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10. Global Public Goods and Challenges (GPGC) thematic flagships

Global Climate Change Alliance plus flagship programme (GCCA+)

SUMMARY
Timor-Leste secured independence in 2002. The nation has slowly developed a stable democratically based civil society. However substantial economic challenges remain; 41.8% of the population is in poverty (down from 50.4% in 2007) and rates of malnutrition amongst children at 32% are high (49.2% suffer from stunting).

Poor agricultural practices and ineffective use of land in rural areas are major contributors to these problems. Agriculture remains the nation’s largest employer. However, almost half of those living in rural areas live in poverty, productivity is low and patriarchal relationships dominate. Young rural women have been identified as a particularly disadvantaged group.

At the same time, Timor Leste is being severely impacted by the effects of climate change. Government of Timor-Leste has committed to strong environmental goals, but lacks the

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public resources — which are heavily reliant on unstable oil sales from dwindling reserves — to fund them.

Deforestation is a major problem, with forest cover loss being widespread and continuing at around 1.3% per year\(^7\). A key role is played by subsistence farmers who turn forested areas into land for crop production, both for sale and domestic consumption, as well as slash-and-burn agriculture\(^8\). Cooking in rural areas as well as in urban area is almost universally dependent on simple wood fired stoves.

The core aim of this project is to address these interrelated challenges — poverty, gender inequity, climate change impact and deforestation — by enabling subsistence farmers to restore forests and degraded landscapes. This will be achieved through carbon capture and trading systems which both provide reward for growing forests and has the potential to lift the economic status of women via the programme’s implementation.

The project aims to ‘Improve climate resilience of subsistence farmers in Timor-Leste’ by:

1. **Enhance application of rural climate smart practices, including reforestation by rural groups and especially women**. This can offer the farmers (i) a better understand the causes and consequences of climate change specially their gendered dimension and on people living in vulnerable situations and (ii) be trained to participate in reforestation and carbon sequestration and other carbon reduction activities that will assist in mitigating its effects and (iii) improve the skills of communities, including the ones living in vulnerable situations, to access finance mechanisms that will support reforestation and carbon sequestration activities.

2. **Increase reforestation by social enterprises in targeted rural areas.** This will facilitate the development of social enterprises that benefit women in particular through environmental positive initiatives that have a focus on building local village economies including people living in vulnerable situations.

3. **Establish an internationally credible, transparent, sustainable and participative carbon capture/sequestration rewarding system in Timor-Leste.** Assist the Timor Leste Secretariat of State for Environment (SSE) to design and approve a robust land-sector Green House Gas (GHG) reporting and accounting system (tentatively a ‘Timor-Leste Carbon Foundation’) to measure land-based carbon emissions through operational tools and installed legal and governance systems. Liaising with and upscaling existing carbon valuation mechanisms will aim to finance small holder farming communities in which women play leading roles for their efforts, providing a strong economic incentive to maintain and grow forests.

The action will be implemented through direct management: call for proposals for specific objectives 1 and 2 and procurement of services for specific objective 3. This method of implementation will guarantee a direct link between the action and the EU policy dialogue in the country on the theme of environment/climate change and rural development.

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1 CONTEXT ANALYSIS

1.1 Context Description

Timor-Leste became the first newly-independent state of the 21st century on 20 May 2002. Since its independence Timor-Leste has faced the formidable challenge of building a sustainable civil society and associated political infrastructure founded on democratic principles while simultaneously building a sustainable economy.

There has been considerable progress, but there is still much to be done. The economy is still highly dependent on oil revenues, which are declining. The nation’s export base is very narrow being dominated by oil, coffee and tourism. The domestic economy needs to be modernised and broadened. Public spending accounts for over half of national spending. Poverty rates are high and concentrated in rural areas. While 41.8% of the total population is in poverty, in rural areas the figure is 47.1%. Almost 70% of the population lives in rural areas. In 2018 Timor-Leste ranked 132nd in the UN Human Development Index (out of 189 countries).

A core contributor to both of these outcomes is agriculture. It is a major source of employment (over 50% in 2018), but productivity is relatively low which further embeds poverty. National agricultural production targets are regularly not met and many basic food items are imported (including staples such as rice).

There are multiple levels of authority and structures of power that extend from local systems of governance through to those typically associated with modern state formation, including the nation’s constitution. For women, there are many power imbalances to address as part of everyday life and often steep economic inequity. Timor-Leste has a score of 0.855 on Gender Equality Index for year 2017.

Timor-Leste is food insecure. The 2018 Global Hunger Index categorises Timor-Leste as suffering from a ‘serious’ level of hunger (malnutrition). As the World Bank recently pointed out, ‘about 46 percent of children under the age of 5 are stunted and suffering from chronic malnutrition – one of the highest values in the world – which is estimated to induce economic losses equivalent to 2 percent of GDP per year.’

The rural communities with the exclusion of a few zones of production (rice, coffee, candlenuts, and horticulture) are consuming what they produce and in many cases pensions to veterans paid by the Government and remittances are supporting the local economy.

Many subsistence households experience annual food shortages, largely due to poor agricultural productivity and insufficient output to last the year. Climate variability worsens shortages and severely impacts household food security accelerating the degradation of natural resources and increasing the probability of natural disasters (e.g. landslides and flash floods), as well as of internal conflicts over resources.

Climate change will continue to place pressure on Timor-Leste’s food security. By 2050 temperatures are predicted to rise by up to 1.5 degrees, average annual rainfall will increase

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15 https://www.globalhungerindex.org
by up to 10%, extreme rainfall events will be less frequent but more severe, sea temperatures will rise by 0.6%-0.8%, and sea levels will rise by between 150-340mm. Sea level has risen at about 5.5mm-9.0mm/year and will continue increase - which threatens coastal infrastructure and cities. Potential areas for the establishment of new agricultural areas (expansion) will become more limited. Increasing cropping intensity will be more difficult without supporting irrigation water. The drier area on the northern coast of the country will expand in the future. In some areas there, even planting crops once a year is not possible. Additionally, the population is expected to reach three million while major population centres, including the capital Dili, remain exposed by being located directly on the coast.

Deforestation is a major contributor to these problems. The Asian Development Bank explains the situation this way, ‘Timor-Leste has experienced massive deforestation; estimates of clearing of original forest cover are as high as 90%. Most land shows evidence of clearing, especially slash-and-burn cultivation, harvesting of firewood, coffee growing, and grazing, even on steep slopes. Forest cover has steadily declined since the 1970s and the current deforestation rate is thought to be about 1.3% per annum. A major driver is conversion of forest to agricultural land.’

Special Report 15 of the Intergovernmental Panel on Climate Change - IPCC (October 2018) affirms that afforestation and reforestation are some of the key short-term actions required to capture carbon from the atmosphere. The report goes on to say that forests can contribute up to a 30% reduction in carbon emissions.

There have been many attempts by the Government supported by the international community to raise agriculture productivity and improve nutrition, but these still remain at low levels. A recent World Bank report shows that where forest cover loss is greater, poverty rates are also greater.

1.2 Policy Framework (Global, EU)

The present programme is strongly supportive of main EU development policies including ‘the New European Consensus on Development’, which affirms the EU’s determination to tackle ‘…illegal logging and its associated trade, land and forest degradation, desertification, drought, and biodiversity loss’. It is in line with the EU’s ‘Global Strategy for the European Union’s Foreign and Security Policy’, in particular its commitment to ‘state and societal resilience’. Furthermore, the programme is consistent with the EU Council’s conclusion to endorse the importance of climate diplomacy and the urgency of the need for measures to tackle climate change. It is also on line with EU long-term strategy announced on November 2018 ‘a Clean Planet for all’ which aims to confirm Europe's commitment to lead in global climate action and to present a vision that can lead to achieving net-zero greenhouse gas emissions by 2050 through a socially-fair transition in a cost-efficient manner. Furthermore,

17 https://bit.ly/31h3iUg
18 In 2016, the value of firewood consumed was about $124 million (34 in urban areas and 90 in rural areas)
21 Timor-Leste Systemic Diagnostic: Pathways for a New Economy and Sustainable Livelihoods, WB, 2018
the EU has recently (April 2019) published an Updated Bioeconomy Strategy that robustly supports the deployment of carbon farming innovations.

This programme is also consistent with up to 5 (see section 4.4 below) of the 17 Sustainable Development Goals that form part of the UN’s 2030 Vision for Sustainable Development Goals. 24

The proposed action falls under the GCCA+ which is one of the Flagship Initiatives under the thematic programme ‘Global Public Goods and Challenges’ (GPGC) for the period 2014-2020 on behalf of the European Union, which sets out four priorities for environment and climate change including climate change adaptation and mitigation and support to the transition to climate resilient, low-carbon societies. The Multi-annual indicative Programme (MIP) 2018-2020 of the GPGC is to enhance the role of the EU as a global actor in the delivery of the 2030 Agenda to help eradicate poverty and achieve sustainable development.

The EU – Timor-Leste National Indicative Programme for the period 2014-2020 in the field of rural development puts emphasis on: (i) support agricultural and rural development through improved market access for small farmers and reducing rural poverty; (ii) support food and nutrition security, and sovereignty; and (iii) promote economic growth and employment in rural areas, and thus across the nation. Following these priorities, the most recent EU support focuses on agroforestry and rural market access (Partnership for Sustainable Agro-Forestry, PSAF) and on the improvement of nutrition outcomes for pregnant women, adolescent girls and children under five years (Partnership for Improving Nutrition in Timor-Leste, PINTL).

This Action is also aligned to objectives and selected impact indicators of the GAP II framework and the ‘Timor-Leste Gender Action Plan’ (TL-GAP) 2017-2020. It directly targets the GAP objective 20. ‘Equal rights enjoyed by women to participate in and influence decision-making processes on climate and environmental issues’, as well as objective 15. ‘Equal access by women to financial services, productive resources including land, trade and entrepreneurship’; and objective 16. ‘Equal access and control over clean water, energy, transport infrastructure, and equitable engagement in their management, enjoyed by girls and women’.

1.3 Public Policy Analysis of the partner country

The climate change mitigation agenda of Timor-Leste has been recently defined in its Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change UNFCCC (2016) which points out its current GHG emissions below 0.003% of the global emissions. Given Timor-Leste’s status as a Least Developed Country and Small Island Development State, the NDC does not have any specific emission reduction targets. It however notes the key role of agriculture, energy use and Land Use, Land Use Change and Forestry (LULUCF) in the emission trajectory and suggests that all three sectors offer opportunities for mitigation actions. While the INDC signals the country’s aim to establish productive forests, it highlights opportunities for forest conservation and enhancing and expanding forest carbon stock.

At present, Government of Timor-Leste’s NDC clearly mentions that ‘The forestry, agriculture and energy sectors can play a significant role to mitigate climate change’. Opportunities also exist for conservation of forests, enhancing and expanding carbon sinks, and fuel wood substitution for household cooking and lighting practices with biomass energy.

The Timor-Leste NDC is the most important reference document for the formulation of the present action. The previous Minister of Commerce Industry and Environment played a leading role in the drafting and approval of the document by the Council of Ministers. UNDP assisted in the drafting providing an experienced consultant that previously worked on the NDC in the Pacific region. During formulation of the NDC the Timor-Leste Government was concerned with placing too high targets and challenges for the country considering that at that time Timor-Leste was internationally involved in the recognition of legitimate boundaries that would allow oil exploitation and petro-chemical development on the South shore (Tasi Mane project).

Therefore the NDC has had a limited reach. However, it is important to notice within the policy analysis, that Timor-Leste has been active in the participation and ratification of globally significant frameworks, protocols and conventions.

The country’s approach to climate change adaptation has been for the first time detailed in the National Adaptation Programme of Action on Climate Change (NAPA, 2010) which similarly to , Timor-Leste’s First Initial National Communication to UNFCCC (NC-UNFCCC, 2014) and NDC (2016) puts priority on: i) building resilience of rural livelihoods to ensure national food security; ii) promotion of Integrated Water Resource Management (IWRM) to guarantee water access to people in the context of increasing climate risks; iii) enhancing capacity of the health sector to anticipate and respond to changes and reduce the vulnerability of populations at risk from expansion of climate related diseases; and iv) restoration and conservation of mangrove ecosystems and awareness raising to protect coastal ecosystems exposed to sea level rises. Most of the above priorities have been reiterated on the Timor-Leste’s future Climate Strategy 2050, which Government has to submit to UNFCCC by 2020.

Furthermore, the Environment Basic Law (Decree-Law no. 26/2012) clearly indicates the need for the State to adopt a country-wide integrated water management plan that takes into account principles such as water resource user access and sharing, watershed management, regulation of water sourcing (surface and groundwater) for its various uses (agriculture, industrial, etc), participation of local communities and groups living in vulnerable situations in the water management.

Soil protection as one of the elements of effective water resource management is also addressed in the National Action Programme to Combat Land Degradation (2008). This plan again puts the primary emphasis on Community-Based Natural Resource Management which was identified as an effective, preventive and mitigation programme for sustainable land management in the country. The Ministry of Agriculture and Fisheries (MAF)’s Country Report of the Land Degradation Neutrality Target Setting Programme in Timor-Leste (2018) basically reiterates the community-based natural resource management as the key response mechanism for achieving land degradation neutrality in the country.

Interventions related to the agriculture sector are managed by the MAF and are broadly guided by MAF’s Strategic Plan for 2014-2020. The Strategic Plan focuses on five mutually-reinforcing strategic objectives related to sustainable increases in production and productivity of selected crops, livestock species, fisheries and forestry; enhancing and

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25 Timor-Leste has ratified: the United Nations Framework to Combat Climate Change; the Kyoto Protocol; the United Nations Convention for Biodiversity; the United Nations Convention to Combat Desertification; the Vienna Convention for the protection of the ozone layer and the Montreal Protocol for the reduction of substances that destroy the ozone layer.
improving market access and market value addition; and enhancing sustainable resource conservation, management and use.

Strategic orientations for the forestry sector are present in the Forestry Policy (2007), which is currently under revision. An informal proposal for the Timor-Leste Forestry Sector Development Plan was drafted in 2018 through an ADB-supported consultancy but no action has been taken with regard to its formalisation so far. In the meantime, a National Forest Conservation Plan (2013) drafted with JICA support provides the key planning document for the sector. In addition, the Forest Law (2017) stipulates basic regulatory obligations for sustainable forest management and the recognition of traditional rights over forest resources as well as for the protection of biodiversity, recovery and rehabilitation of degraded soils and conservation of water resources.

The market mechanism under Article 6 for the International Transfer of Mitigation Outcomes (ITMOs) will provide opportunities for the Government of Timor-Leste to potentially sell some or all of the emissions reductions resulting from reforestation, forest protection and improved forest management. The voluntary carbon market is also a very important mechanism which will require Government support. This revenue could be used to support economic, social and environmental development in the rural areas of Timor-Leste.

1.4 Stakeholder analysis

The main stakeholders of this programme were involved in the formulation process in order to assess their needs and address their gaps to define in a participatory way the strategy to adopt.

Duty bearers:

The State Secretariat for the Environment (SSE) was created recently (May 2018) replacing the Ministry of Industry, Commerce and the Environment. The Secretary of State’s role focuses on promoting and implementing the Government’s environmental policy, ensuring the protection and conservation of nature and biodiversity, keeping track of any activities that may be harmful to Timor-Leste’s flora and fauna and ensuring that the country’s development is environmentally sustainable. This includes also establishing a national carbon fund recognised by both international voluntary market and the regulatory compliance carbon market (official carbon market). Assisted by international experts provided by the proposed GCCA+ action the SSE will design a system of distribution of carbon credits to single households that have planted trees or limited forest fires, will develop laws and governance systems to enable the above and, finally will guarantee high level participation of Timor-Leste on Climate Change international fora.

Building on past relationships with Development Partners (DPs) and in particular with international NGOs, the Secretary of State launched a series of innovative initiatives such limiting the use of plastic and promoting circular economy.

With regard to climate change and the issue of carbon, the Secretariat of State actively participated in COP24 in Katowice and contributed to the international discussion on the implementation of Article 6 of Paris Agreement26.

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26 under Article 6 of the Paris Agreement, countries have the opportunity to cooperate with one another when implementing their NDCs by allowing the emission reductions achieved in the country to be transferred to another country and counted towards that countries’ NDC. The rules governing the implementation of Article 6 are still being negotiated. However, the market mechanism under Article 6 for the International Transfer of
The Ministry of Agriculture and Fishery has a significant and recognised role in coordinating forestry activities. MAF is the Ministry of Timor-Leste which has the most staff (2500 employees) but with a very limited budgetary allowance (only 1.4% of the national budget, or USD 1 million in 2019). In spite of this, MAF’s Directorate for Forestry has shown over the years a remarkable capacity for coordination, so much so that all the DPs involved in forest activities follow the directives and guidelines of the Community-Based Natural Resources Management (CBNRM) decided by the ministry (see Figure 1).

Furthermore MAF’s Directorates for Forestry and their staff at municipal level (who are responsible for delivering extension and technical services to rural communities) are receiving a wide range of training from Development Partners projects. Reforestation and the establishment of farmer social enterprises can effectively be enhanced through a coordinated action between government extensionist and local and international NGOs that have successfully implemented community based planning programmes during the last 15 years in Timor-Leste.

Rights holders:

In Timor-Leste, local communities (‘sucos and aldeias’) are the most important assets toward a sustainable and equitable rural development. This programme is based on the recognition that tradition at community level is a prerequisite for the establishment of relatively conflict-free, equitable and sustainable carbon fund in Timor-Leste. The programme will use community’s mechanism and women leadership to enhance the capacity of populations to cope with climate change effects through sustainable management of their natural resources. Collectively communities will benefit from the economic opportunities arising from the carbon market.

A strengthened partnership should help fight inequalities, and enhance monitoring over the equitable and sustainable access to natural resources, when groups in vulnerable situations including, women, children, older persons, indigenous peoples, minorities, migrants, rural workers, persons with disabilities and the poor, are provided opportunities for meaningful and informed participation and have their rights protected. The adaptive capacities of communities living in vulnerable situations require greater attention due to disparities in education and health, access to resources and discrimination, and therefore require devoting adequate resources to meet the needs of these communities and ensure their rights are not jeopardised.

CSOs - Civil society in Timor-Leste today comprises a range of groups. Village level groups form around religious, cultural, hobby or sporting activities, or create self-help and support groups. Some of these groups affiliate with national organisations, while others are independent. Sporting organisations exist both at the village and national levels, as do community organisations such as farmers’ groups, water management associations or women’s organisations. In addition, mass membership organisations, some of which operate at the village level, cover a range of issues, including women’s, youth, and faith groups. Service delivery CSOs also provide health, education, and other services. CSOs deliver microfinance; social enterprise groups also operate in Timor-Leste.

Other key stakeholders:

Mitigation Outcomes (ITMOs) will provide opportunities for GoTL to potentially sell some or all of the emissions reductions resulting from reforestation, forest protection and improved forest management. This revenue could be used for further afforestation and reforestation activities.

27 World Bank analysis on Timor-Leste MAF budget 2018
Development and public benefit NGOs serve at both the national and district levels. In addition, a range of advocacy NGOs operate in Timor-Leste. The term NGO in Timor-Leste has a very specific meaning: usually a more structured organisation with a constitution, management structure, focused on development, and often in receipt of donor funding. NGOs are key drivers of civil society in Timor-Leste.

1.5 Problem analysis/priority areas for support

After 20 years of national effort and international assistance in the field of agriculture and rural development it is clear that there are several significant constraints to the improvements of food production in Timor-Leste. Areas for suitable agriculture are limited\(^{28}\), equipment and tree seedlings of commercially viable local species is lacking. Lack of access to productive inputs and machinery is a limiting factor. Soil degradation and erosion linked to the vulnerability to climate change and environmental conditions make the agricultural activities extremely challenging. Products processing and marketing is very limited due to high pre- and post-harvest losses, poor infrastructure (particularly rural roads) and inadequate market access are also a limiting factors. The lack of preservation, conservation and processing facilities and infrastructure is evident. At the same time market/prices incentives as well as access to rural credit are not there. Firewood is the most valuable primary sector commodity produced by Timor-Leste. Coffee was valued at only USD 20 million in 2017\(^{29}\).

Organisational and individual staff capacity of MAF and other key agencies/institutions are very limited and the small budget allocated to the sector does not reflect its importance in term of employment and potential development.

The lack of economic diversification remains a crucial challenge to generate much needed employment and reduce poverty, especially in rural areas, in order to contribute to continued peace and stability. The urgency of diversifying the economy (from oil revenues) was high in the political agenda in 2015 through 2017 but has now disappeared from the political debate. The new industries could offer a few jobs and employment but will have limited if any impact in rural areas.

After 10 years of intensive debate the Land Law has been promulgated in 2017. The regulatory framework that is needed for the implementations of the Land Law is still under discussion. The unclear setting that involves the land ownership in the rural areas is the main obstacle for private investment in the agro-forestry sector in Timor-Leste. However, land issues within the communities are dealt in a participatory manner which have shown in the past a lower level of complexity. The participatory approach of the programme will manage the land ownership, tree properties and carbon credits rights.

WithOneSeed and COTI, supported by the State Secretary for the Environment and many other government institutions, have been able to achieve international recognition. They have sold carbon credits to the international voluntary market and with the revenues have rewarded directly those farmers that have planted trees. In many cases the returns from carbon credit have doubled the yearly income of subsistence farmers.

Furthermore an opportunity for the future of the agro-forestry sector is the market mechanism under Article 6 for the International Transfer of Mitigation Outcomes (ITMOs), which could provide chances for the Government of Timor-Leste to potentially sell some or all of the

\(^{28}\) Arable land and permanent pasture each account for just under 10% of total land area.

\(^{29}\) EU Fuelwood study 2018
emissions reductions resulting from reforestation, forest protection and improved forest management. The voluntary carbon market is also a very important mechanism which will require Government support. This revenue could be used to support economic, social and environmental development in the rural areas of Timor-Leste.

2 RISKS AND ASSUMPTIONS

<table>
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<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
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<tbody>
<tr>
<td>Interest by subsistence farmers (especially women) is too low for programme to be viable</td>
<td>L</td>
<td>Design the training programme hiring training staffs well prepared and including experienced Timorese women.</td>
</tr>
<tr>
<td>Training is not effective in persuading farmers or in ensuring women play a key role</td>
<td>L</td>
<td>Training strategy needs to be refined and better tuned to local communities, including those living in more vulnerable situations.</td>
</tr>
<tr>
<td>Design of carbon finance mechanisms or trading mechanism is protracted, flawed or unviable</td>
<td>M</td>
<td>An expert advisory group will oversee the technical work and sign off on it. The advisory group will include qualified climate economist and legal experts</td>
</tr>
<tr>
<td>Legal framework for carbon measurement, capture and valuation is inadequately developed</td>
<td>M</td>
<td>International experts will be recruited to do this work, with expert advisory panel sitting at the top in governance role. Study tours and exchange of experiences with countries with similar programmes.</td>
</tr>
<tr>
<td>Government of Timor-Leste does not participate actively to the programme (low level of ownership)</td>
<td>M</td>
<td>The programme will secure high level of Civil Society organisations active participation. CSOs at local municipal level and national level can engage dialogue and enhance high level participation from the Government of Timor-Leste. The signing of a Financing Agreement will also enhance Government ownership.</td>
</tr>
<tr>
<td>Timor-Leste Carbon Foundation proves unviable or does not function effectively or takes longer to establish than planned.</td>
<td>M</td>
<td>High level legal advice will be provided to design the foundation and ensure it is community based and that the governance framework is robust. Members of the Foundation’s Board will receive high level training on governance. In the short to medium term, it will be possible to use existing voluntary systems to trade carbon in the way the WithOneSeed or COTI is currently doing successfully.</td>
</tr>
</tbody>
</table>
Impacts on biodiversity and water availability from the introduction of invasive tree species

M

Safeguards will be in place to ensure screening of tree species selection to avoid invasive species that may result on impacts to biodiversity and water availability. Awareness on adequate tree species will be included in the training activities.

Assumptions

- Carbon mechanisms will keep their capacity of absorbing all the carbon sequestrated by TL farmers.
- Women can be successfully encouraged to be strong participants in the programme.

3 Lessons learnt and complementarity

3.1 Lessons learnt

Rural development has been a focal sector of concentration of EU cooperation in all previous EDF programmes. However, the final evaluation of the past Rural Development Programme (RDP IV, 2011-2016)\(^\text{30}\), the formulation phase of the latest PSAF (2017) and the implementation of GCCA (ended in 2018) have consolidated the notion that Participatory Community Planning is the most effective approach toward a livelihood improvement in the rural context. The link to the market and support to value chains should also complement any climate change action. Past experiences have revealed a very strong interest of communities in forestry activities due to potentially higher earnings than through purely agriculture activities\(^\text{31}\). GCCA implemented both by GIZ and Camoes have developed local nurseries that have sold seedlings to other projects as for example the ILO road rehabilitation. In the GCCA in Liquica location a few groups located on the main road have started a successful business producing ‘dragon fruit’ that was bought and collected directly by Dili supermarkets\(^\text{32}\).

There are a number of large DP-funded projects in the climate change/environment/agro-forestry sector. These interventions have generated ‘nation-wide multi-species agro-forestry/forestry programme based on community watershed planning and resource management’. In this regard the GCCA+ action is taking into account the existence of many

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\(^\text{30}\) The RDP IV final evaluation stated that ‘boosting agricultural production in TL is not a direct consequence of improved agricultural techniques, but also needs functioning markets, storages capacities to manage increased yields as well as other economic and social incentives and the absence of disincentives’. Furthermore, the political environment affected RDPs results: ‘the establishment of a functioning extension management system was at risk due to continuous political changes and reorganisation in the partner Ministry’.

\(^\text{31}\) GCCA-TL has supported the management of 77 smallholders’ agroforestry nurseries in all the 14 sucos inside Loes watershed target area. Seedling of fruit trees and valuable hardwood were sold to neighbours and to other stakeholders.

\(^\text{32}\) GCCA-TL has supported to the establishment of 74 dragon fruit orchards. It is estimated that the total production of the orchards installed during the years 2015 to 2017 with GCCA-TL support in Loes and Gleno have reached 10 tonnes of fresh fruit, equivalent to a total of USD 30,000.00 considering the price of USD 3.00 per kilogram usually paid to the producer.
forestry activities in Timor-Leste, as well as successful smallholder forestry initiatives in the region and lessons learnt from various DP projects (WB, USAID, EU) on land management and conflict/mediation.

The EU Delegation recently concluded a Strategic Environmental Assessment (SEA) in Timor-Leste. It was during the SEA that the innovative approach to reforestation using financial resources generated from forest carbon sequestration/capture and making recurrent payments was analysed and became the objective of a national workshop. The SEA also suggested an enhanced participation of the government in environmental actions.

This model was developed by WithOneSeed (or ‘Ho Musan Ida’, HMI) who pilot tested it in Baguia. A similar model is currently used also by Fundação Carbon Offset Timor (COTI). The carbon offsetting pilot implemented by WithOneSeed has currently about 60,000 tons of carbon under their management at their pilot project in Baguia. They use an innovative business model which provides farmers with technical advice, technical support (provision of seedlings) and financial support (payments for trees that were planted and trees that survived. Farmers participating in this model are bound by long-term contractual arrangements that give HMI the right to sell the carbon sequestered. HMI uses innovative digitally-assisted tracking of survival and growth rates of individual trees and carbon stored therein. The proceeds from sale of the carbon get channelled to the local farmers – some of them receive up to USD 250 per year through such schemes which effectively doubles their annual income. HMI sells the carbon on voluntary carbon markets, mainly to Australian buyers. Moreover, they report ability to sell more carbon credits than they have under management now (currently the demand is estimated as double than the offer). They foresee a potential for the future establishment of local experts specialising on carbon sales. To this end, HMI has commissioned a nation-wide study of the changes in the forest covering the past 15 years using satellite data to identify future sites that could be targeted with carbon sequestration initiatives.

However, it is particularly the carbon sequestration project that WithOneSeed and COTI have put in place that has the shown the advantage of selling carbon from the distant and not accessible valleys of Timor-Leste. Carbon does not need to be transported neither sold locally. These two factors by themselves are positioning carbon on the top of the potential economical sustainability of value chains for those subsistence farmers that live in remote and mountain areas of the country.

Farmers need a recognised international organisation to initially represent them and an international auditing that certifies that trees are planted in the right areas and are surviving every year. The WithOneSeed community forestry programme in Baguia is the first Gold Standard certified carbon forestry programme in Timor Leste, working with subsistence farming communities to replant their forests.

The WithOneSeed innovation comes from the annual incentive payments made to subsistence farmers who maintain the trees. The community, which owns the land, authorises the individual to plant trees. Tree farmers are paid USD 0.50 per year for each tree that is kept

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33 There are 700 households in the Baguia project representing about 15% of the population. The HMI project is currently sequestrating carbon at the rate nearly 1.5 times more than original projections. The forestry and GHG maps show that if HMI stops planting today, by 2050 all carbon store lost since 2000 will have been replaced along with forest. This is significant and give you a perspective.

34 The annual average daily income for subsistence farmers in TL is $0.80 cents per day.

35 The project will seek connection with the EU Emissions Trading System (ETS)
alive. Farmers are able to significantly increase their annual income from tree farming. The revenue to pay the farmers comes from the sale of the carbon stored in the trees into the international voluntary carbon market. The carbon stored has become a ‘cash crop’ for the farmers.

These changes of scenarios impose developing countries like Timor-Leste to have their voice heard in international negotiations to capitalise the numerous reforestation and carbon sequestration projects that are implemented by Government and Development Partners.

3.2 Complementarity, synergy and donor coordination

The Partnership for Sustainable Agro-Forestry (PSAF) — which has a specific objective focusing on agroforestry — is implemented by GIZ and aims to develop a sustainable, market oriented, competitive, climate resilient and prosperous agro-forestry system in order to increase employment and income in rural areas. The specific objective focusing on enhancing rural assess is implemented by ILO. This includes capacity building and labour-based initiatives to rehabilitate and maintain climate-proof rural roads in order to improve safe access to the agro-forestry areas, employment and economic opportunities for the local population. PSAF is implemented in four focal Municipalities Manatuto, Baucau, Viqueque and Lautem.

Complementing EU rural development strategy is the EU-funded Partnership for Improving Nutrition in Timor-Leste (PINTL) that aims to improve nutrition outcomes for pregnant women, children under five years and adolescent girls through the effective and sustained implementation of the Timor-Leste National Nutrition Strategy.

The EU has also funded, from 2013 to the end of 2018, the Global Climate Change Alliance Programme Timor-Leste (GCCA-TL), linked to its regional programme on ‘Coping with Climate Change in the Pacific Islands Region’. Its purpose was to demonstrate, jointly with the Ministry of Agriculture and Fisheries (MAF), that sustainable climate change adaptation practices can improve livelihood in rural communities and mitigate their exposure to the effects of climate change. The success of the GCCA programme at community level has influenced the formulation of the PSAF and has led EU to support economic initiatives in the framework of agro-forestry and climate change.

Of particular importance was the GCCA programme’s objectives to support the ALGIS Department under MAF to improve and make available a functional, nation-wide and fully operational agro-meteorological system in 13 municipalities to collect, store, gather and evaluate relevant weather and land use data and share this information with relevant stakeholders. 21 meteorological stations out of 35 existing stations have been improved and are now providing rainfall data via web (AGROMET service). The GCCA+ project will build within ALGIS the required GIS and remote sensing capacity to an international standard and will ensure that Government of Timor-Leste staff can continue to use the system at the end of the programme.

This intervention complements and has clear synergies with a number of programmes. It is particularly complementary to the the UN’s Reducing Emissions from Deforestation and forest Degradation programme (REDD+), which aims to tackle climate change through national projects in developing countries. It operates with the full support of the UNDP and the UN’s Food and Agriculture Organisation (FAO).

JICA started working in forestry in 2007 with an ambitious target to plant trees in critical areas. As their initial project lagged and communities resisted to external plans, JICA
developed a participatory process where the objective was not anymore to plant trees but to produce a community natural resources management plan called PLUP (Participatory Land Use Planning). In the past 12 years JICA has been consistent with its action and it is now the leading Development Partner (DP) in implementing CBNRM. They have trained many local CSOs, NGOs and private companies and refined the methodology in close coordination with MAF. JICA’s plan in the future is to expand the area of work and cover most of watershed in the country. In many deforested areas farmers are acquainted with the consequences of climate change and have already prepared a PLUP. GCCA+ will establish coordinated action with JICA, the NGOs that have been trained in CBNRM and the communities that have already organised forestry group. (see Figure 1)

The Ministry of Agriculture and Fishery (MAF) has been promoting the Community-Based Natural Resources Management (CBNRM) mechanism as the major integrated approach for sustainable forest management and overall watershed protection. Its introduction into local land use planning and establishment of watershed councils in villages and watershed areas has been ongoing in a few existing projects since 2011 and is increasingly referenced as the selected methodology to be implemented by the various Development Partners active in the sector, including the European Union.

WithOneSeed (Ho Musan Ida – HMI) is a community participation programme established in 2009 which supports over 880 subsistence farmers in the reforestation of their land. WithOneSeed financially supports over 25% of the Baguia community through annual tree payments and has stored 50,000 tonnes of CO2 in the 150,000 trees under the carbon management programme.

Fundação Carbon Offset Timor (COTI) implements carbon sequestration projects while using a similar approach as HMI. They undertake reforestation activities with the aim to sequester carbon, using seed funding provided by UK-funded Darwin Initiative to support their initial activities and their long-time partner GTNT (Group Training Northern Territory) based in Darwin, Australia. COTI has started in 2019 to certify its carbon by Plan Vivo Foundation.

World Bank project SAPIP (USD 20 million) was designed and formulated at the same time as EU PSAF (between 2105 and 2017). Both programmes are focusing on forestry with a geographical division of labour (EU in the east and SAPIP in the west of Timor-Leste).

In terms of research support for agroforestry in Timor-Leste, the Australian Centre for International Research (ACIAR) has funded an adaptive research programme on sandal wood-based agroforestry systems. Recently the EU agro-forestry PSAF contracted the French research institute CIRAD to support activities in the field.

The Agriculture and Fisheries Development Partners' Group (AFDPG), which includes the participation of the Ministry of Agriculture and Fisheries, is coordinated and chaired by EU. The group has been established to strengthen sector coordination, foster policy dialogue, and

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36 COTI undertake baseline analyses to identify suitable sites for reforestation – degraded areas or deforested areas without tree cover for at least 10 years and use satellite imagers to demonstrate their additionality. COTI’s business model is based on an assumed price of 15 USD per tons of CO2 and limits coordination/mgmt. costs to 35% of the value obtained through carbon trading (they aim to ensure that 65% of the proceeds go to the farmers). They assume to have sequestered approx. 58,000 tons of carbon over the past 8 years and plan adding 50 new sites to their current 85 locations. However, COTI is awaiting international certification and has not sold carbon directly in the market but a Darwin based organisation has supported financially the programme.

37 Since 2018 the EU is co-chair the group with Australia
improve effective division of labour. Furthermore, policy dialogue meetings have been held in the past at the Ministry of Agriculture and Fisheries’ initiative.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective of this project is:

**To improve climate resilience of subsistence farmers in Timor-Leste**

The project has three specific objectives with outputs linked to them:

**Specific Objective 1 (SO1): Enhanced application of rural climate smart practices, including reforestation by rural groups and especially women.**

- **Output 1.1**: Farmers, notably women, have increased knowledge in rural climate smart practices.
  - **Activity 1.1.1** A specific training programme will be developed on the topic of climate change, its impact on Timor-Leste and how reforestation can bring multiple benefits to ecosystems, including support to biodiversity as well as soil conservation, water conservation and climate change mitigation. Recruited trainers will include women and the training will have a gender-sensitive rights based approach on the topic.
  - The target audience will be farmers, with a focus on women and on subsistence farmers, and their families. The training programme will be rolled out across multiple locations, in coordination with existing Development Partners initiatives and CBNRM groups in order to cover all rural areas. The programme will be ‘train the trainer’ one and be based on the principles of adult education. It will be community-based, emphasising the way that learning takes place through sharing information, understandings, concerns and solutions.
  - **Activity 1.1.2** A specific training programme will be developed and delivered to help farmers, and women in particular, understanding how to form effective social enterprises that can successfully perform reforestation (or other initiatives where relevant) and eventually participate in the carbon market supported by the project.
  - **Activity 1.1.3** Additional training activities will be developed and tailor made to reach those forestry groups that have already received support and training by other projects and have reforested areas on their community land. These training courses may focus on more advanced topics, including international certification and carbon audits.
  - All training programmes will be coordinated with the Ministry of Agriculture and Fisheries.

**Specific Objective 2 (SO2): Increased reforestation by social enterprises in targeted rural areas**

- **Output 2.1**: Enhanced management and monitoring capacity for reforestation process.

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38 Training is an activity that includes all (stakeholders, duty bearer and also implementers).
Output 2.2: Increased capacity of farmers, including women to form and manage farm-based social enterprises.

Output 2.3: Improved understanding of reforestation.
Activity 2.1.1 Technical advice, including risk analysis and support in identifying and implementing practices suitable for biological diversity, and/or aiming at improved climate change adaptation, to the supported social enterprises.
Activity 2.2.1 Follow-up and monitoring of social enterprises that are formed as a result of the training and their activities and outputs, including in reforestation.
Activity 2.2.3 Support for the launch or implementation of local pilot actions to demonstrate best practice at social, environmental and climate levels.

Specific Objective 3 (SO3): To establish an internationally credible, transparent, sustainable and participative carbon capture/sequestration rewarding system in Timor-Leste.

Output 3.1: A robust carbon measurement and reporting system for Land Use, Land Use Change and Forestry (LULUCF) is designed in coordination with the Secretariat of State for Environment.

Output 3.2: Developed reward system for Community-based organisations related to climate smart activities, including reforestation

Output 3.3: Enhanced Timor-Leste capacity for climate action and reporting at international level
Activity 3.1.1 Support the Secretary of State for Environment in defining, validating and putting in place the necessary legal and institutional framework to enable carbon emissions/sequestration to be measured and the certification of carbon credits, including at CBO level.

Activity 3.1.2 Launch a national LULUCF Green House Gas (GHG) inventory and monitoring system (in line with the national MRV system) that incorporates all existing forest initiatives (in coordination with DPs). This may involve technical capacities including enhanced imagery interpretation capacity and the use of a GIS, together with adequate ground measurements.

Activity 3.2.1 Support SSE to implement the carbon value system that is subject to international audit, and in such a way that it is able to deliver on its policy goals and of rewarding farmers who undertake reforestation initiatives and improve their living.

Activity 3.3.1 Support SSE in reporting on its progress towards climate action objectives using to IPCC/UNFCCC standards, including on the achievements made towards its NDC.

Activity 3.3.2 Support policy dialogue towards the alignment of the Sustainable Development Plan 2030 and the Strategic Environment and Forest Policies preparing the ground for potential future sector Budget Support operations.

4.2 Intervention Logic
As for SO1 and SO2, the GCCA+ will capitalise on existing experience and the numerous forestry groups that have experience in forestry due to EU-RDPs programmes or recent EU-
GCCA groups and current activity by EU-PSAF (plus other DPs programmes). The programme will also use the existing CBNRM model developed by MAF including some of features that WithOneSeed and Oxfam have put in place (with a focus on women participation and leadership).

SO3 involves working with international programmes such as the European Union's Earth Observation Programme Copernicus. It also involves working with national institutions such as the Secretariat of State for Environment for the establishment of the legal and administrative institutional arrangements to reward reforestation activities, and ALGIS and MAF for technical and ground level work.

This action will provide the crucial economic incentive for farmers to undertake the proposed trainings and reforest in a sustainable way. The added value and novelty of the GCCA+ programme is that every tree planted in certified areas of reforestation will count for the purpose of carbon sequestration. This incentive is expected to continue attracting forestry groups that will request to be part of the programme. The SSE will admit groups after an evaluation and propose specific training models for the group to understand the climate change activity and the functioning of international carbon audit.

The above will require good coordination between SSE, ALGIS and MAF, and also contracting high level technical assistance with internationally acquired reputation working with the Government of Timor-Leste to understand and put in place the options available to it to maximise the value of carbon credits.

The policy dialogue with the MAF will also contribute to the alignment of the Sustainable Development Plan 2030 and the Strategic Environment and Forest Policies. It will also ensure ownership, sustainability and improve policy and decision-making processes, preparing the ground for potential future sector Budget Support operations.

Ultimately, the three sets of outputs will lead to a better trained target population, who act in a more climate smart way. Reforestation will help combat climate change, leading to carbon credits that can be sold by the target population, and the income from this will help lift their standards of living.

### 4.3 Mainstreaming

Peaceful development and social stability and gender equality are the two most important cross-cutting issues that have been taken into account during formulation. Conflict sensitivity will be an over-arching guiding principle for all development interventions funded by GCCA+, particularly given the fact that carbon credit will need a clear and unequivocal tree ownership by each participant. Community consultation and traditional mechanisms to resolve conflicts will be in place at local level with the engagement of relevant civil society organisations and community leaders.

Private international institutions that are validating the carbon sequestration in Timor-Leste, such as Gold Standard, have enlarged their requirement to gender, human rights, governance, environment and climate change. Each community that decides to participate to the GCCA+ programme will be screened and evaluated under the above criterias.

The GCCA+ project in Timor-Leste recognises the importance of an all-inclusive approach that fosters gender equality and includes special focus on employment for village youth. It is expected that an important number of people especially rural youth and women will be trained and directly employed by the carbon sequestration activities.
The forestry activities will provide employment opportunities for rural women, especially in nurseries and early tree maintenance programmes, and small groups of women could be encouraged to form forestry production groups. Forestry development plans will be part of larger community based natural resource management plans (at the municipal, watershed and suco levels) and cross cutting issues are to be integrated into all these community development plans. These will thereby improve the quality of ecosystems, avoid soil erosion and land degradation that is severely affecting Timor-Leste’s slopy landscapes, and improve scope for enhanced biodiversity. Further, forestry will contribute to the improvement of ecosystem services and of livelihoods, increasing climate resilience of communities living of natural resource based incomes. The carbon rewarding system will also directly contribute to increase people’s earnings and at the same time to carbon sequestration.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of up to 5 of the SDGs:

SDG 13: Climate Action. Deforestation is one of the most important contributor globally to the growth in greenhouse gas emissions. It follows that, even though it is a small nation, a substantial increase in the number of trees in Timor-Leste annually will have a beneficial climate impact. Initially, the encouragement of reforestation will slow the rate at which Timor-Leste’s forested area is declining. The project will also be contributing to climate change adaptation by improving forest cover, enhancing water retention capacities, reducing land degradation, reducing risk of landslides and enhancing adaptive capacity by improving income of the vulnerable population.

The intervention will also have important impacts on the following goals.

SDG 15: Life on land. Healthy ecosystems directly contribute to livelihoods. In particular, forests in hilly areas and arid zones provide many environmental goods and services such as water conservation, protection of biodiversity and mitigation of climate change.

SDG 1: End poverty everywhere. The target participants for this intervention are rural communities in Timor-Leste where poverty rates are the highest. By providing subsistence farmers with a supplementary income from selling carbon credit, the intervention has the potential to lift weekly incomes and, given that trees have long lives, this boost will be on the long-term. Some of the trees could be sold for consumer and building products, which would also increase farmers’ incomes, giving them a flexible form of income generation that can be well-planned.

SDG 5: Gender Equality. The intervention is to be designed in a way that consciously tries to lift the status and role of women in rural economies by putting them at the forefront of this reforestation initiative. The highly innovative nature of the intervention, including the formation and a functioning carbon market, it is ideally suited to show-casing how women can play a vital role in a developing country’s future.

39 https://unfccc.int/resource/bigpicture/
Achieving these goals will be mutually reinforcing. For example, achieving the education goal will enable the initiative to explain and train farmers (especially women) to think of more efficient ways to use their land and understand how their actions can have a beneficial impact on climate change. Similarly, focusing the education interventions on women, the action will not only have the effect of ensuring that the climate change goals are met, but it will also improve gender equality.

5 IMPLEMENTATION

5.1 Financing agreement

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

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of 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 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.

5.3.1 Grants (direct management)

(a) Purpose of the grant(s)

The grants will contribute to the achievement of the outputs related to specific objectives 1 and 2, as set out in section 4.1 of this action.

This call will be launched on 1st October 2019 under a suspensive clause prior to the adoption of this decision. The justification is twofold. The baseline study must be carried as soon as possible to feed the programme with valuable data and the at some initial field operation must anticipate the rainy season (ending in May 2020) that is the only time in the year that seedlings can be planted in the field.

(b) Type of applicants targeted

In order to be eligible for a grant, applicants must:

• be a legal person, and
• be non-profit-making, and
• be a national or international non-governmental organisation (NGO) or a civil society organisation (CSO) or an international (inter-governmental) organisation as defined by Article 156 of the Financial Regulation, and

40 www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.
• be established in a Member State of the European Union or one of the eligible countries under the Development Cooperation Instrument as stipulated in Article 9 of Regulation (EU) No 236/2014, and
• be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity (ies), not acting as an intermediary.

5.3.2 Procurement (direct management)

The procurement of service (through one contract) will contribute to the achievement of the outputs related to specific objective 3, as set out in section 4.1, and to finance evaluations and audits.

<table>
<thead>
<tr>
<th>Subject</th>
<th>Indicative type (works, supplies, services)</th>
<th>Number of contracts</th>
<th>Indicative trimester of launch of the procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical assistance</td>
<td>services</td>
<td>1</td>
<td>Q1 2020</td>
</tr>
<tr>
<td>Mid-term evaluation</td>
<td>services</td>
<td>1</td>
<td>Q3 2021</td>
</tr>
<tr>
<td>Final evaluation</td>
<td>services</td>
<td>1</td>
<td>Q4 2024</td>
</tr>
<tr>
<td>Audit</td>
<td>services</td>
<td>1</td>
<td>Q4 2023</td>
</tr>
</tbody>
</table>

5.3.2 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 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.

5.4 Indicative budget

<table>
<thead>
<tr>
<th>GCCA+ Support to Timor-Leste Environment Action</th>
<th>EU contribution (amount in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO 1: Enhanced application of rural climate smart practices, including reforestation by rural groups and especially women. and SO 2: Increased reforestation by social enterprises in targeted rural areas</td>
<td>2 700 000</td>
</tr>
<tr>
<td>5.3.1 – Grants (direct management)</td>
<td>2 700 000</td>
</tr>
<tr>
<td>-----------------------------------</td>
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</tr>
<tr>
<td><strong>SO 3</strong>: To establish an internationally credible, transparent, sustainable and participative carbon capture/sequestration rewarding system in Timor-Leste</td>
<td>2 200 000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5.3.2 – Procurement (direct management)</th>
<th>2 200 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.7 - Evaluation &amp; 5.8 Audit</td>
<td>100 000</td>
</tr>
<tr>
<td>5.9 - Communication and visibility</td>
<td>included in the above contracts</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>5 000 000</strong></td>
</tr>
</tbody>
</table>

### 5.5 Organisational set-up and responsibilities

The EU Delegation in Timor-Leste as contracting authority will launch the call for tender to procure the technical assistance required to perform the project activities related to objective 3. Monitoring the implementation of the contracts will be the responsibility of the EUD.

Upon project launch, a Project Steering Committee (PSC) will be appointed by EU in coordination with State Secretary for the Environment and will include technical and political representatives of the Government of Timor-Leste (including the Ministry of Agriculture and Forests), the EU, the Contractor, and other stakeholders involved in project implementation.

To maintain ownership of the programme, and given the nature of the activities, the PSC will be co-chaired by a high-level representative of the Government of Timor-Leste and EU Delegation of Dili assigned EU Head of Cooperation. The Steering Committee will allow the EUD to oversee and validate the overall direction and policy of the programme in conjunction with the Government. The Steering Committee will be the platform through which the EU and the other stakeholders will monitor implementation progress, and any technical modifications to the scope of work will be discussed and agreed upon prior to its formal incorporation into the project. The EUD will provide feedback and guidance on issues that may emerge during implementation. The PSC will meet yearly but if any of the two co-chairs can request ad-hoc meeting if needed.

An expert advisory group will oversee the technical work and sign off on it. The advisory group will include qualified climate economic and legal experts. For the grants element a Project Advisory committee will be established.

Most importantly, the policy dialogue lead by EU Delegation in Timor–Leste, with the support of the TAs, will strengthen the exchange with the institutions, improving the government participation and contribution to favorable conditions towards possible future EU budget support in this sector.

### 5.6 Performance and Results monitoring and reporting

The implementing partner(s) of the call for proposal (SO1 and SO2) will launch, prior the start of the field activities, a survey to collect baseline data needed for a correct monitoring and report activity. Consistently, a final baseline survey will be launch at the end of the action to allow a final evaluation of the programme.

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.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The programme should establish effective links with EU institutions involved in monitoring the environment and EU research centers, then it is highly recommended to all implementers to take advantage of the EU monitoring and data image technical services such as Copernicus and JRC.

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).

5.7 Evaluation

Having regard to the nature of the action a mid-term and ex-post evaluations 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 problem solving and to better adjust targets according to baseline study. The ex-post evaluation will be carried out for accountability and learning purposed at various levels (including for policy revision), taking into account in particular the fact that the action is aiming to the establishment of a national carbon fund that will continue after the end of the programme.

The Commission shall inform the implementing partner at least 60 days 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. It is foreseen that evaluation services may be contracted.

5.8 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. It is foreseen that audit services may be contracted.
5.9 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.

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 Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Communication and visibility activities will be performed as part of the contracts to be implemented under this Action.
<table>
<thead>
<tr>
<th>Impact (Overall Objective)</th>
<th>Results chain: Main expected results (maximum 10)</th>
<th>Indicators (at least one indicator per expected result)</th>
<th>Sources of data</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
|                           | To improve climate resilience of subsistence farmers in Timor-Leste | EURF 2.21 — ** Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq) with EU support  
Percentage change in income per farmer family arising from the sale of carbon credits. (disaggregated per sex) | Govt census data  
Carbon market data | Not applicable |
| Specific Objective 1 (SO1) | Enhanced application of rural climate smart practices, including reforestation by rural groups and especially women. | 1.1 EURF 2.19 - ** Number of countries and cities with climate change and/or disaster risk reduction strategies: a) developed, b) under implementation with EU support  
1.2 Number and percentage of leadership roles in social enterprises taken by women (disaggregated per age) | 1.1 Training providers  
1.2 Implementing partners report | Participation of subsistence farmers |
| Specific Objective 2 (SO2) | Increased reforestation by social enterprises in targeted rural areas | 2.1 EURF 2.23 - ** Areas of terrestrial and freshwater ecosystems under a) protection, b) sustainable management with EU support (ha).  
2.2 Number and percentage of participating farmer families below the poverty line prior to commencing in the intervention and after five years, by region. | 2.1 International Carbon Audit firm's annual report  
2.2 Baseline survey  
2.2 Endline survey | Carbon credits paid to communities |
| Specific Objective 3 (SO3) | To establish an internationally credible, transparent, sustainable and participative carbon capture/sequestration rewarding system in Timor-Leste | 3.1 Level of functionality of the Carbon valuation and measurement system | 1. SSE official data | The SSE policies and objectives are in line with international carbon markets |
| **Output 1.1** | Farmers, notably women, have increased knowledge in rural climate smart practices | 1.1.1 Number of farmers completing training on rural climate smart practices, disaggregated by sex and region (disaggregated by sex and age). | 1.1.1 Training provider data | Women entrepreneurs are available |
| **Output 2.1** | Enhanced management and monitoring capacity for reforestation process | 2.1.1 Number and percentage in participating farm based social enterprises by region | 2.1.1 Training providers Surveys | Prior projects have enhanced farmer capacity to apply improved practices |
| **Output 2.2** | Increased capacity of farmers, including women to form and manage farm-based social enterprises | 2.2.1 Turnover of teaching staff disaggregated by location (disaggregated by sex and age). 2.2.2 Rate of establishment/dissolving of social enterprises by location (disaggregated by sex and age). | 2.2.1 Training provider data 2.2.2 Training providers survey | Traditional leaders are participating to social enterprises |
| **Output 2.3** | Improved understanding of reforestation | 2.3.1 Number of farmers that will control animal and number of uncontrolled fire per year compared with situation prior project | 2.3.1 Baseline survey 2.3.1 Endline survey 2.3.1 ALGIS/MAF | Areas of deforestation |
| **Output 3.1** | A robust carbon measurement and reporting system for Land Use, Land Use Change and Forestry (LULUCF) is designed in coordination with the Secretariat of State for Environment | 3.1.1 Status of Board establishment 3.1.2 Number of Board meetings held per year 3.1.3 Extent to which Mechanism’s finances meet commonly agreed sustainability measures in terms of both operating results and balance sheet | 3.1.1; 3.1.2; 3.1.3 SSE and programme reporting | The SSE will commit human resources to climate change and carbon credit programmes |
| **Output 3.2** | Developed reward system for Community-based organisations related to climate smart activities, including reforestation | 3.2.1 Value of total carbon from Timor Leste traded on the international market | 3.2.1 Carbon valuation and measurement system | Functioning of voluntary carbon market |
| **Outputs 3.3** | Enhanced Timor-Leste capacity for climate action and reporting at international level | 3.3.1 Number of International Panel on Climate Change (IPCC) compliant reports developed with the support of the Action 3.3.2 Number of international audits performed with the support of the Action | 3.3.1 SSE 3.3.2 UNFCCC reporting | Timor Leste participating to international fora |