

Briefing Note on the Decentralization Process in Timor Leste

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Draft 18 January 2010

Objective: this briefing notes aims at providing a summary of the decentralization process in Timor Leste and support provided by the joint UNCDF-UNDP Local Governance Support Program (LGSP) and its predecessor programs.

I. Background

The decentralization process in Timor Leste started with the establishment of an Inter-Ministerial Technical Working Group in 2003 with the objective to study different options for decentralization in Timor Leste. The working group involved members of all ministries under the leadership of the Ministry of State Administration and Territorial Management (MSATM). Based on the *Local Governance Options Study* (LGOS), which recommended six possible options for decentralization in TL, the government decided to proceed with the establishment of municipalities in Timor Leste.

Decentralization reforms have evolved since, resulting in the approval of a national decentralization policy and decentralization road map and the submission of a set of three local government laws to the National Parliament. Throughout this process, Lessons learned from the Local Development Pilot Programme have been fed systematically into the policy process and local capacities have been developed.

The process has benefited from continuous support provided by the joint UNCDF-UNDP *Local Governance Support Program*ⁱ (LGSP) and its predecessor programs, the *Local Governance Options Study* (supported by UNDP) and the *Local Development Program* (supported by UNCDF) both at the policy level and at the local level. LGSP has the primary objective of supporting the establishment of a fully-fledged local government system in Timor Leste by (i) providing policy-relevant lessons from pilot activities, (ii) assisting the government in formulating a comprehensive legal and regulatory framework for local government, and (iii) supporting implementation of local government reforms. Through achieving its primary objective, LGSP will thus contribute towards improving infrastructure and service delivery, and reducing poverty.

II. Policy and Legislative Framework: key steps and documents

Starting in 2003, the GoTL under the leadership of MSATM with support from LGSP has proceeded with the development of a legislative and policy framework for decentralization, resulting in the following key decisions and policy documents:

- Approval of the **Decentralization Policy** and its accompanying **Decentralization Strategic Framework I** (October 2006): policy and roadmap for decentralization, outlining key steps for a consultation process and preparation of the Local Government laws, using the sub-districts as the building for future municipalities

- **Consultation process on decentralization policy and territorial division** (December 2006 – September 2007): in all 13 districts and all sub-districts
- Establishment of the **Ministerial Technical Working Group** (2006 and 2008): working group to discuss sectoral functions to be devolved and delegation to future municipalities
- **Decentralization Policy Orientation Guidelines** and **Decentralization Strategic Framework I** (2008), outlining key steps towards the approval of the Local Government (LG) laws by the National Parliament (NP), using the district as the building block for future municipalities (change in government policy)
- Approval of the **Decentralization Strategic Framework II** (2008): roadmap for decentralization, outlining key steps towards the establishment of municipalities
- Drafting of the set of three **Local Government Laws** (2008 -2009, submitted to the NP in February 2009): Law on Administrative and Territorial Division (approved by NP in June 2009), Local Government Law and Municipal Elections Law (pending approval in NP): define the boundaries of future municipalities within the current district boundaries, define role and institutional structure of future municipalities and rules for municipal elections
- Preparation of the **subsidiary decentralization legislation** (2009-2010): drafting of sector decentralization strategies for health, water & sanitation and core administrative functions of the MSATM, drafting of decree laws and regulation, governing the institutional structure of future municipalities, re-structuring of the MSATM in the context of decentralization, municipal planning, finance and procurement, the relationship between sucos and municipalities
- Preparation of a **Decentralization Capacity Development Strategy (2009-2010)**, a systematic assessment of capacities of all key stakeholders in the context of decentralization (incl. local level administration, civil society and national level ministries) and systematic approach towards strengthening capacities of key stakeholders in the process of decentralization. While no systematic assessment of local level capacities has been carried out to date, future municipalities will require a large amount of capacity development support to effectively assume their future responsibilities.¹

III. The Local Development Program

The Local Development Program (LDP) started as a national pilot program in 2004 with the objective of testing different models for decentralization and local governance and generating practical lessons for an effective, transparent local governance system, which is responsive to citizens' needs.

The LDP supports capacity development at the local level through the provision of block grants to local assemblies, enabling them to develop capacities through an integrated approach of "learning by doing" throughout the cycle of identification of priorities (in consultation with aldeias, sucos, and

¹ Nevertheless it should be noted that, all participating LDP districts successfully passed the yearly "Minimum Conditions Evaluation" in the past years, which assesses the compliance of LDP districts with ten minimum conditions governance indicators as a requirement for a funding allocation in the following year. This gives an indication of the capacities of districts to manage local development.

sub-districts), participatory local planning, budgeting, procurement, implementation of small-scale infrastructure, monitoring and evaluation, accompanied by training activities.

The first pilots started in Bobonaro, Lautem, Aileu, and Manatutu from 2005 onwards. In 2008, the LDP was up-scaled to eight districts (to include Baucau, Ainaro, Manufahi, and Covalima). In 2010, the LDP is being up-scaled to all 13 districts in Timor Leste (including Dili, Emera, Liquica, Viqueque and Oe-cusse), making it no longer a pilot but a national local development program.

Over time, the LDP tested two different models for local governance: while the first model focused on both sub-district and district levels, the second model concentrates decision-making power in district assemblies (in line with new government's decentralization policy, which foresees the establishment of municipalities at the current district level), in consultation with aldeias and sucos. While initially co-funded with UNCDF support, the LDP has been fully government-funded since 2008. The capital allocation has reached an average of USD 3.5 per capital and a total budget of ca. USD 2.35 Mio in 2010. LGSP continues to provide technical support through a joint MSATM-LGSP-staffed unit as well as to generate lessons learned from the LDP and feed these into the policy-making process.

IV. Next Steps:

- Approval of two remaining decentralization laws by the National Parliament (Local Government Law and Municipal Elections Law)
- Set specific dates and prepare for municipal elections
- Finalize and approve the subsidiary legislation for decentralization; ensure coherence between the proposed Local Government Laws and subsidiary legislation (incl. municipal planning and public financial management, municipal procurement, suco-municipal relations - in progress)
- Implement Decentralization Capacity Development Strategy Prepare through the up-scaled Local Development Program (LDP) and accompanying training and civic education activities
- Raise awareness of citizens with regard to decentralization reforms including their rights and responsibilities in the context of decentralization reforms through a broad civic education and communication campaign (=> Communication and Civic Education Strategy)
- Explore the devolution/delegation of additional sectoral function to future municipalities in cooperation with sector ministries and other key stakeholders
- Ensure systematic monitoring of performance and capacity development needs of district/municipalities on the basis a systematic Local Governance Baseline Survey
- Ensure donor coordination and coherent support to future municipalities and decentralization reforms through the development of a government-led Joint National Decentralization Programme (JNP)

For more information please see www.uncdf.org and www.estatal.gov.tl or contact Susanne Kuehn, susanne.kuehn@undp.org

ⁱ Supported by Irish Aid and the Government of Norway