



Timor Leste - Local Governance Support Programme

Briefing Note on the Decentralization Process in Timor Leste

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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* and the *Local Development Program* (both 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 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 block 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)** for development 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.

III. Local Level Piloting through 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 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 nation-wide 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 5.5 million in 2011. 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. Recent Developments

In April 2010, a decision was taken by the GoTI to postpone municipal elections (originally scheduled to take place in 2009), to 2013/14, i.e. until after national elections (scheduled for mid-2012). This decision followed previous changes in the time schedule when municipal elections were postponed from mid to end 2009, subsequently to early 2010 and later to mid 2010. Despite of this change in time schedule, preparation for decentralization continue with support from LGSP to finalize the policy and legislative framework for decentralization, particularly the key subsidiary legislation on municipal planning, procurement and financial management. However, these regulations will have to be revised, once the basic LG laws have been approved by parliament to ensure consistency with the basic laws.

With the introduction of the Decentralized Development Package (DDP) by the GoTL, a budget of around USD 31 million was allocated through the mid-year rectified government budget to be implemented by the District Administrations in 2010. While initiated by the Prime Minister's Office, the DDP was subsequently moved to MSATM's responsibility, in recognition of MSATM's experience and expertise developed through the LDP. The introduction of the DDP shifted large amounts of funding to the District Administrations. As a result, Districts Administrations were forced to manage significantly higher workloads without additional staff, resulting in delays with regard to LDP activities in many districts. Although some of the processes and procedures for the DDP (esp. for financial management) were adopted from the LDP, other key processes and procedures (esp. planning and procurement¹) differ greatly from the LDP processes and/or remain to be defined in detail, resulting in confusion and difficulties for District Administration staff to implement the LDP and DDP programs with different processes and procedures.

In the light of these challenges, LGSP responded to the Ministry's request to support the development of an integrated approach, which effectively links the LDP and new DDP, in order to facilitate district level planning, procurement and financial management through a set of harmonized and simplified processes and procedures, the so-called Integrated District Development Plan (or Tetun acronym PDID). The PDID is expected to harmonize processes and procedures for district-level implementation, while building on experience and Lessons Learned from the LDP and safeguarding principles of good governance, such as participation, transparency and accountability.

¹ LDP follows participatory, bottom-up planning processes and open, competitive procurement processes. Please see annex 1 for an overview on local procurement through the LDP

V. Next Steps:

- Approval of PDID decree law by Council of Ministers to harmonize district-level small-scale infrastructure provision
- Systematic assessment and monitoring of capacity development needs and district performance on the basis a systematic Capacity Assessment and expanded Minimum Conditions Evaluation and continue strengthening district-level capacities in preparation of decentralization
- Strengthen integrated planning by making local planning more evidence-based
- Strengthen gender mainstreaming, possibly through Gender Equitable Local Development (GELD) approach
- 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 (expected for 2013/14)
- 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)
- 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

For more information please see www.uncdf.org and www.estatal.gov.tl

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