



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE

TIMOR-LESTE

DECENTRALIZATION STRATEGIC FRAMEWORK

“What needs to be done & how do we get there”?

PART 1

Prepared by Ministry of State Administration
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CONTENT:

BACKGROUND SUMMARY	3
OBJECTIVES AND GUIDING PRINCIPLES OF THE POLICY:	4
WHAT NEEDS TO BE DONE?	5
1. LEGAL FRAMEWORK/HIERARCHY	5
1.1 THE LAW ON ADMINISTRATIVE & TERRITORIAL DIVISION	5
1.1.1 Subsidiary legislation/regulations	6
1.2 THE LAW ON LOCAL GOVERNMENT	6
1.2.1 Subsidiary legislation/regulations	7
1.3 HARMONIZATION OF CURRENT LEGISLATION:	7
HOW DO WE GET THERE?	8
2. ESTABLISHMENT OF A DECENTRALIZATION SECRETARIAT IN MINISTRY OF STATE ADMINISTRATION	8
3. DSF KEY STAKEHOLDERS AND CONSULTATION STRATEGY	9
3.1 LAW ON ADMINISTRATIVE & TERRITORIAL DIVISION	9
Step 1: Preparations.....	9
Step 2: Pilot Consultation	10
Step 3: National-wide Consultation.....	10
Step 4: Legal drafting of Law on Territorial Boundaries.....	10
Step 5: Submission to the National Parliament for approval	10
Step 6: Submission to the President for promulgation.....	11
3.2 LAW ON LOCAL GOVERNMENT	11
3.2.1 ESTABLISHMENT OF MINISTERIAL TECHNICAL WORKING GROUPS	11
3.2.2 ESTABLISHMENT OF A MoPF TECHNICAL WORKING GROUP	12
3.2.3 FINAL DECENTRALISATION POLICY AND LEGISLATIVE PROPOSALS	13
Step 1: Commence drafting a legislative proposal of the Law on LG	13
Step 2: Commence costing of the reform.....	14
Step 3: Legislative proposals endorsed by CoM.....	14
Step 4: Legal drafting of the Law on Local Government	14
Step 5: National Consultation	14
Step 6: Submission to the National Parliament for approval	14
Step 7: Submission to the President for promulgation.....	14
4. DECENTRALIZATION DONOR COORDINATION GROUP	14

ANNEXES:

Annex 1:	Timeline
Annex 2:	TOR Decentralization Secretariat
Annex 3:	TOR for Ministerial Technical Working Groups
Annex 4:	TOR for MoPF Technical Working Group

BACKGROUND SUMMARY

The Government has since 2003 been working on a framework for decentralization and local government for Timor-Leste based on the clear provisions for this in the Constitution. The overall vision of the Government for decentralization is to establish a strong, democratic and efficient local government with sufficient human and financial resources to be viable institutions for local governance, and to contribute to the realization of the Government of Timor-Leste's development objectives.

An Inter-Ministerial Technical Working Group was established in 2003 and has since then been working on analyzing and developing options for a future reform. The first report of the Working Group – the Local Government Options Study – outlined several possible options for a local government system in Timor-Leste, and their respective advantages and disadvantages. Based on this, the Government has decided to establish a single municipal tier between the present Sub-District and District level. This tier will gradually replace these two levels of administration. Additional research related to a new administrative structures, representation and functions of local government has been ongoing since 2004. This preparatory work has provided the Government with important input to its decision-making process on a policy for decentralization and the structure of local government. The new Municipal bodies to be introduced will comprise a Legislature and an Executive, and will have clearly defined functions and human and financial resources.

As a parallel strategy, the Government began in 2004 to pilot a range of procedures and institutional arrangements providing a “real-time” simulation of local government – this was done through the Local Development Programme (LDP). The objectives were to provide the Government with practical lessons and policy input. So far 25 Local Assemblies have been established in four pilot districts; Bobonaro, Lautem, Manatuto and Aileu. The assemblies consist of around 500 members including both government officials and members of the Suco Councils. Capacity building has been provided to all the members in a various areas to ensure that they could assume their new functions and responsibilities. A Local Development Fund has been provided to each assembly and the result shows that there is capacity at the local level to make good decisions based on identification of local needs and in line with the National Development Plan.

Although the amounts provided through the LDP pilot are modest they are still quite substantial when compared to funds which are decentralized through normal government channels. They have visibly empowered the local communities to participate in government decision-making processes, to take their own initiatives and to assume responsibility for development in their areas. The positive lessons learned have also been crucial for the Government to reach its recent decision on a decentralization and local government policy for Timor-Leste.¹

This proposed Decentralization Strategic Framework (DSF) is meant to guide the Government and other key stakeholders through the complex sequence of activities to further develop the policy and legal framework. The Government is aiming at submitting local government legislation to the National Parliament in January 2008 and start implementation of the reform in FY 2008-9.²

¹ The Decentralization and Local Government Policy paper was approved by CoM on 4 October 2006.

² The DSF timeline is to be found in Annex 1 of this document.

OBJECTIVES AND GUIDING PRINCIPLES OF THE POLICY:

The Decentralization and Local Government policy paper was adopted by CoM in October 2006 and provides the objectives and guiding principles for the reform. This Decentralization Strategic Framework (DSF) is based on and should therefore be used in conjunction with the adopted Decentralization and Local Government Policy paper.

The main overall **objectives** of the reform are to:

- Promote the institutions of a strong, legitimate and stable state across the territory of Timor-Leste;
- Promote opportunities for local democratic participation by all citizens;
- Promote more effective, efficient and equitable public service delivery for the social and economic development in the country.

The introduction of a new tier of municipal government is a means to achieving these objectives. Existing administrative jurisdictions at the sub-district and district levels will be merged to form new consolidated and efficient administrative units with representative assemblies, which can deliver appropriate services to local citizens and which will have sufficient capacity to perform their functions. Important elements of the reform will be the establishment of democratic representative systems and procedures at the municipal level, streamlining of the administration and strong measures to ensure sound financial management.

The following basic **guiding principles** will be applied in the development of the system of local governance and the establishment of Municipalities:

- Consistency with **the provisions of the Constitution**;
- **Democratic representation** and close links between the elected bodies at the Suco level and the municipal assemblies with local interests represented at the municipal level;
- **Accountability and transparency**: Openness in decision-making and management and accountability towards local constituencies;
- **Citizen participation** and active involvement in decision-making, service delivery and monitoring;
- **Efficiency and effectiveness**: The number and size of Municipalities and their capacity will be consistent with the tasks and service delivery responsibilities that they are assigned and enable sufficient economies of scale to be captured;
- Focus on **improved local service delivery** as a means to alleviate poverty;
- **Clear roles and responsibilities** of each tier of government and each stakeholder in the reform process in order to avoid overlap, ambiguity and inadequate accountability;
- **Functional assignments** will be matched with commensurate revenue assignments at the new municipal level and will be cross-sectoral;
- **Balanced development** in the country: The fiscal framework will ensure that the Municipalities can deliver services in an equitable manner;
- **Phasing in** of all reforms in a synchronised manner: The phasing in of reforms will be a guiding principle.
- **Building on the lessons of experience**: by leveraging the lessons from the Local Development Programme, which is explicitly designed and implemented with the aim of guiding policy development.

WHAT NEEDS TO BE DONE?

With the approval of the Decentralization and Local Government Policy paper the Government can now move into the second phase of the decentralization process, i.e. consultations and drafting of legislation. To facilitate this process MSA has prepared a Decentralization Strategic Framework (DSF) to ensure that all key stakeholders in this process has a clear picture of ***“What needs to be done”*** and ***“How do we get there”***.

This first DSF Part 1 is prepared to guide the Government through the various steps in regard to consultation and drafting of LG legislation. A DSF Part 2 will be prepared mid-2007 which will deal with important aspects in regard to implementation strategy of the reform, capacity building framework and related activities. However, detailed planning for these components will only become clear when agreement has been reach on very basic issues such as size of municipal units, functions and responsibilities of the municipalities, staffing and similar issues.

The first part of this document will therefore outline the proposed legal framework/hierarchy, i.e. ***“What needs to be done”*** while the second part outlines a strategy for ***“How do we get there”***.

1. LEGAL FRAMEWORK/HIERARCHY

It is suggested that there will be two main laws which will be the main legal framework for the establishment of Municipalities in Timor-Leste.

- 1) The Law on Administrative & Territorial Division
- 2) The Law on Local Government

In accordance with the Constitution these two main legal instruments will need to be approved by the National Parliament.

Likely content of laws and Decrees/Regulations:

1.1 THE LAW ON ADMINISTRATIVE & TERRITORIAL DIVISION

- Criteria and main principles for demarcation of LG Units
 - Income
 - Population (Recommended min/max level of population per municipality)
 - Land area
- How names can change and who approves names of Municipalities
- Local Governments centers
- Definitions of Cities
- List of Municipalities
- Special cases
 - Oecusse
 - Atauro
- Provision for future adjustments
- Other to be defined

1.1.1 Subsidiary legislation/regulations

- To be defined

1.2 THE LAW ON LOCAL GOVERNMENT

- Purpose of local government
- Structure and definition of local government
 - single tier = municipality
 - classification of municipalities (urban/rural)
 - procedures for establishing municipalities
 - inter-municipal arrangements
 - Other to be defined
- Legislature arrangements – assemblies:
 - numbers of councilors
 - indirect election of councilors
 - mayor (and deputy mayor)
 - direct election of mayor (and temporary provision for the first phase)
 - Standing committees
 - decision-making processes and procedures
 - remuneration (principle, not amount)
 - Other to be defined
- Executive arrangements and administrative units
 - Municipal Administrator (appointment, responsibilities, accountabilities)
 - Municipal staff
 - Other to be defined
- Functions of local government
 - define core mandatory functions
 - define voluntary functions
 - by-laws
 - Other to be defined
- Local Government Finances
 - General principles and provisions (funding follows functions etc.)
 - Administrative structures in LG finance
 - LG budgeting power and principles
 - LG revenues:
 - Own source revenues – broad outline of the various types of local revenues
 - Grants – principles and types of grants
 - Rules on borrowing (not to be allowed)
 - Financial management (in brief, as the details will be in regulations .. planning, budgeting, budget executing, control and audit)
- Role of central government
 - MSA responsibilities and oversight
 - Regions and Secretaries of State
 - Line Ministries
 - Local Government Commission? [FUNCTION; a permanent commission with the function of reviewing LG arrangements, fiscal issues and suggesting changes as and when necessary in the legal framework –

composition of the LGC: Representatives from the core MSAs, MoPF and the Municipalities.

- Special cases
 - Oecusse
 - Atauro
- Provision for legally recognised Association of Municipalities [recommendation is one association for the whole country]
- Provision for future adjustments [possible clause that revision will take place within 3-5 years]

1.2.1 Subsidiary legislation/regulations

- Remuneration rates for mayors and assembly members
- Civil Service/Disciplinary actions/recruitment
- Electoral legislation
- Administrative procedures
- Functioning of and procedures for work in the assemblies (LA Standing orders)
- Planning and budgeting regulations and guidelines
- Financial management regulations (accounting, budget control, internal audit etc.)
- Regulations on LG own source revenues (maybe various for various types of taxes)
- Regulations on intergovernmental fiscal transfers
- Procurement regulations
- Audit (Number s 2 and 6 may be joined)
- [Other to be defined]

1.3 HARMONIZATION OF CURRENT LEGISLATION:

- Review of current legislation and adjust in accordance with the new LG legislative framework.

HOW DO WE GET THERE?

The aim of the Government is to commence the Local Government reform in FY 2008-9. This means that all laws and regulations will need to be drafted and approved before the end of June 2008. It is acknowledged that this is a very short timeframe to complete all the various components of the reform, however, it is also seen as a priority to start the decentralization process. It is therefore of great importance that all parties agree on the scheduled activities and delegated responsibilities outlined in this DSF. Although it is recognized that MSA will take a lead role in implementing the DSF, the success will highly depend on all key stakeholders and delays will be the result if we fail to follow the outlined schedule. To ensure clarity in the tasks ahead this DSF is recommending the establishment of key temporary institutions and Technical Working Groups which all have a clear mandate and responsibilities.

2. ESTABLISHMENT OF A DECENTRALIZATION SECRETARIAT IN MINISTRY OF STATE ADMINISTRATION

To ensure that there is an overall coordination of activities and that the DSF is followed and implemented it is recommended that a Decentralization Secretariat will be established in MSA within DNAT as a transitional institution with a time-bound and clearly defined mandate. It will be lead by the Director of DNAT and consist of the Director of DNAF, LGSP International Technical Advisor and staff in addition to other MSA staffs as appointed by the Ministry. The Decentralization Secretariat will report to the Council of Directors which is chaired by the Minister of MSA. The mandate of the Decentralization Secretariat is defined in the Secretariat TOR in annex 2.

Key Responsibilities:

- Oversee and coordinate all consultation and drafting of the LG legal framework (including all laws and subsidiary legislation) in accordance with the timeline established in the DSF;
- Oversee and coordinate Technical Assistance in support the implementation of DSF;
- Plan and execute national and community hearings/consultation on various aspects of the laws during the drafting process;
- Coordination and liaison with the various Ministerial Technical Working Groups;
- Lead the consultation and drafting of the new Territorial Boundaries;
- Review and define the new role of the Ministry of State Administration, staffing/budget in accordance with new division of functional responsibility;
- Prepare and establish a Capacity Building Programme for Municipality level staff;
- To manage the pilot activities (Ex-LDP) and to ensure that lessons learned from the pilot activities inform the decentralization and local government policy formulation and implementation;
- Plan, oversee and assist in implementation of LG reform [To be defined in DSF 2].

3. DSF KEY STAKEHOLDERS AND CONSULTATION STRATEGY

Although MSA will take the lead role in ensuring that the principles in the approved Decentralization and Local Government Policy is converted into laws and regulations it is not the intention of the Ministry to do so without the involvement of other key stakeholders and consultations at both national and sub-national levels. Considering that there are two main outputs from the DSF, the DSF strategy is build around these three/two outputs and the recommendations of activities are outlined below.

3.1 LAW ON ADMINISTRATIVE & TERRITORIAL DIVISION

Section 71, article 4 in the Constitutions states that; *“The political and administrative organization of the territory of RDTL shall be defined by law”*. This is yet to be defined and is therefore seen to be a precondition to the establishment of new Municipalities. The Decentralization and Local Government Policy states that there will a single tier of municipal local government which will be midway between the current Districts and Sub-Districts.

The territorial demarcation of the new Municipalities will be defined on the basis of the following criteria:

- i. Using the current Sub-Districts as building blocks, by aggregating 2 or more together, and minimizing their division;
- ii. Ensuring as far as possible within each municipal unit:
 - *The maintenance of ethno-linguistic homogeneity and local cultural identity;*
 - *A balance of development potential and resources, combining where possible richer and poorer areas;*
 - *An administrative centre, allowing reasonable access to the Municipal Assembly and Administrative offices by all Sucos in the Municipality;*
 - *A minimum level of population, to allow a minimum level of efficiency in administration and service delivery;*
 - *A minimum number of constituent Sucos to ensure an adequate number of Assembly members.*

Considerable work has already been done in this area by the Inter-Ministerial Technical Working Group during the preparations of the Policy paper. The DSF proposed activities will take this already available information and the initial list of new territorial units to the next level as following:

Step 1: Preparations

- Review the already collected information and finalize the initial analysis of the present situation and potential of proposed territorial units;
- Review and finalize a draft map of new territorial units;
- Identify already “known” controversial areas that needs additional attention;
- Identify and establish consultation teams which include key stakeholders such as; Land and Property, District & Sub-District administrators, facilitators from MSA, and other key stakeholders.
- Agree on a methodology which include questions and issues that will be taken out for consultation [likely content]:

- Who to consult:
 - Group A: Public Administration and Sector staff at the local level;
 - Group B: Chefe de Sucos, members of the Suco Councils and general community members;
 - Group C: National stakeholders
 - [Others to be defined]
- List of Sub-Districts and schedule for consultation
- Public information/Civic Education:
 - Background for the consultation
 - Objective of the consultation
 - Explanation of possible institutional and functions of the new municipalities
 - [Other]
- Issues for consultation:
 - View on proposed territorial units;
 - Recommendations in terms of Land and property issues related to present or proposed new territorial units;
 - Location of new Administrative centers;
 - Names of new municipalities;
 - [Other]
- Start the process of identifying legal drafter;
- This step to be completed by the end of **November 2006**.

Step 2: Pilot Consultation

- Pilot consultations in 2 selected areas by identified consultation teams to test out the agreed methodology;
- Initial report prepared based on the findings and possible revision of the methodology established for the consultation;
- Revisions and report completed by the end of **December 2006**.
- Seminar on findings and future process in **January 2007**.

Step 3: National-wide Consultation

- Community meetings (Group A) in all 32 [to be defined after Step 1 is completed] units;
- Meetings with Public Administration and Sector staff (Group B);
- Identification of problem areas and possible second visits to these areas;
- Preparations of draft report;
- National hearing of the draft report [To be decided if we should open for a 2 weeks national hearing here or in Step 4 on the law itself only or both];
- Submission to CoM for discussion and endorsement of Territorial Map and key principles by **August-September 2007**.

Step 4: Legal drafting of Law on Territorial Boundaries

- Legal drafting of the new Law on Territorial Boundaries based on the endorsed framework of Territorial Map and key principles as stated in the report from the consultation;
- Submission to CoM for discussion and approval by **October-November 2007**

Step 5: Submission to the National Parliament for approval

- Submission to NP by **December 2007**)

Step 6: Submission to the President for promulgation

It is recommended that the responsibility of a national consultation and the preparation of a legislative proposal continue to be the responsibility of MSA.

3.2 LAW ON LOCAL GOVERNMENT

The guiding principles of the Law on Local Government has partially been identified in the approved Decentralization and Local Government Policy, however the detailed definitions are yet to be defined. Although drafting of certain sections of this law can commence immediately it is recommended that this process is done parallel with the drafting of the Law on Administrative & Territorial Division since size and functions is very much connected.

However, there are certain sections of this law that is assumed to require more technical consultation and review than others. In particular this refers to the questions related to functional assignments or in other words the review and identification of service delivery tasks to be transferred to the new municipalities.

Based on this evaluation of the work needed it is recommended that two main activities are initiated bearing in mind that the output of these activities will be one law.

3.2.1 ESTABLISHMENT OF MINISTERIAL TECHNICAL WORKING GROUPS

To ensure technical quality and ownership of the process it is recommended that Ministerial Working Groups are established to take a lead role in reviewing and make recommendations for transfer of tasks, HR needs and re-location, costing, phasing, etc. The Ministerial Technical Working Groups will be transitional groups with a time-bound and clearly defined mandate. Each Ministry shall appoint a senior staff member as the focal point which will lead the work of their internal Ministerial TWG and liaison with the DSF Secretariat in MSA. It is the responsibility of each Ministry to appoint members of their internal Ministerial TWG. The mandate of the TWGs is defined in TWG TOR in annex 3.

Responsibilities:

- Prepare Ministerial Technical Working Group reports as established in the DSF which will include: **[Likely content]:**
 - Review of the existing organization of functions and service delivery, which are performed at the local levels,
 - Review and Identification of tasks to be transferred to new municipal units;
 - Staffing needs, structure and redeployment in accordance with transfer of tasks;
 - Review of the existing budgets available for the functions,
 - Costing and budgets of local delivery of devolved functions and responsibilities;
 - Phasing of transfer of tasks to the new municipalities (first batch municipalities)

- Phasing of transfer of tasks to the new municipalities (second and third] batch municipalities)
- Long term view on future transfer of tasks [second phase of tasks to be transferred]
- Define the new role of each Central Ministry, staffing/budget in accordance with new division of functional responsibility;
- Define the role of the Region [only if they already using the regional level or have plans to do so]
- Identify and define any capacity building needs for Ministry staff;
- Sector devolution guidelines, which may include standard issues to be handled: Procedures for transfer of tasks and staff, funding issues, legal issues, etc.
- Plan, oversee and assist in implementation of LG reform [To be defined in DSF Part 2].
- Identify laws and regulations within each Ministry which needs to be amended, changed or drafted in terms of harmonizing legal framework;
-
- Ministerial TWG advisory team established if available [i.e. already existing advisors in each Ministry]
- External TA identified for short term technical support if needed
- Ministerial TWG Report completed by **July 2007**.

3.2.2 ESTABLISHMENT OF A MOPF TECHNICAL WORKING GROUP

Funding arrangements for Municipalities and the division of revenue assignments across the tiers of government will correspond to the new division of functions between central government and the municipalities. New functions with financial implications for municipal budgets will be funded either through grants and/or new revenue assignments (such as taxes, user fees and charges, etc.) in a fair, equitable and transparent manner. However, it is clear that in the short and medium terms, Municipalities will largely rely on fiscal transfers from central government.

As in relation with the issues related to functional assignments, it is highly recommended that MoPF takes a lead role in coordination with the Decentralization Secretariat in defining basic principals and provide technical recommendations to the section on Local Government finances in the Law on Local Government and subsidiary finance legislation since MoPF will be in best position to do. It is therefore recommended that a special MoPF Technical Working Group is established.

The MoPF TWG will be transitional groups with a time-bound and clearly defined mandate. The Ministry shall appoint one focal point which will lead the work of their internal Ministerial TWG and liaison with the DSF Secretariat in MSA. It is the responsibility of each Ministry to appoint members of their internal Ministerial TWG and should include both national and local staff. The mandate of the TWGs is defined in TWG TOR in annex 4.

Responsibilities:

- Prepare Ministerial Technical Working Group reports as established in the DSF which will include: [Likely content]:
 - Recommendations for overall fiscal framework;
 - Framework for the establishment of a Municipal treasury (institutional framework, staffing (including redeployment) and costing);
 - Review planning procedures,
 - Finance management procedures;
 - Review accounting systems and links between the municipal and central accounting frameworks,
 - Review and recommendations for changes to national budget structure and regulations;
 - Recommendations for a new grant system;
 - Recommendations for LG own-revenues (short-term, medium and long term);
 - Review M&E and reporting formats
 - Review the audit requirements, systems and procedures for the future municipalities.
 - Define the new role of MoPF vis-à-vis the Municipal Treasury;
 - Identify and define any capacity building needs for Ministry and new finance staff;
 - Sector devolution guidelines , which may include standard issues to be handled: Procedures for transfer of tasks and staff, funding issues, legal issues, etc.
 - Plan, oversee and assist in implementation of LG reform [To be defined in DSF 2].
 - Identify laws and regulations which needs to be amended, changed or drafted in terms of harmonizing legal framework;
- Ministerial TWG advisory team established if available [i.e. already existing advisors in each Ministry]
- External TA identified for short term technical support if needed.
- Ministerial TWG Report completed by **July 2007**.

3.2.3 FINAL DECENTRALISATION POLICY AND LEGISLATIVE PROPOSALS

The recommendations provided by the Ministerial Working Groups will provided the basis for the Sections regarding Functions of the municipalities and the role of central government and will be incorporated into the detailed framework that will be the basis for the legal drafter. It will be the responsibility of MSA to incorporate the various inputs in the legislative proposal for a LG Act.

Step 1: Commence drafting a legislative proposal of the Law on LG

- Identify external TA(s)
- Start drafting a legislative proposal of the law [but not in legal terms at this stage]:
 - Purpose of local government
 - Structure and definition of LG
 - Legislature arrangements – assemblies
 - Executive arrangements
 - Functions of LG: in coordination with the Ministerial TWG

- Overall funding principles and sources: in coordination with MoPF TWG
- Role of central government: : in coordination with the Ministerial TWG
- Role of the Regions: in coordination with the Ministerial TWG
- Special cases: Oecusse and Atauro
- Start drafting of legislative proposals of subsidiary legislation/regulation
- Completed in **August-September 2007**.

Step 2: Commence costing of the reform

- Identify present costs of delivering services at the District and Sub-District level;
- Costing of delivering the same and/or new (depending of the tasks devolved) at the Municipal level (including staffing costs);
- Investments needed in relation to the reform and operational implications;
- Costs related to capacity building needs
- Review implications of the amalgamations in areas such as existing assets, obligations, budgets etc.
- Completed by **September 2007**.

Step 3: Legislative proposals endorsed by CoM

- Legislative proposals outlining all detailed sections and principals of the Law on LG;
- Submission to CoM for discussion and endorsement by **September 2007**.
- Draft legislative proposal submitted for national hearing [2-3 weeks national hearing period];
- CoM to analyze outcome of national hearing and incorporate any changes if needed.

Step 4: Legal drafting of the Law on Local Government

- Legal drafting of the new Law on Local Government based on the endorsed legislative proposal;
- Submission to CoM for discussion and preliminary approval of draft Law on LG by **October 2007**.

Step 5: National Consultation

- Approval of final draft of Law on LG by CoM **November 2007**.

Step 6: Submission to the National Parliament for approval

- Submission to NP by **December 2007**

Step 7: Submission to the President for promulgation

4. Development Partner Group – Local Government Reform

A Development Partner Group for Local Government Reform will be established to facilitate effective information sharing, a forum for discussion and to ensure that activities are streamlined and not contradictory. A TOR for this group will be developed and adopted by the coordination group.

Annex 1: DSF part 1 Timeline

Estimated completion dates	Main activities	External TA	Comments
October 2006	Approval of Decentralisation and Local Government policy paper		Target achieved
November 2006	Endorsement of Decentralization Strategic Framework by CoM		
January 2007	Completion of pilot consultation on new territorial division and establishment of methodology	Mike Winter and TA on territorial demarcation	
January 2007	Establishment of Ministerial Technical Working Groups regarding functional assignments, legislature arrangements, and fiscal policy framework	Mike Winter & Jesper Steffensen	
January 2007	Seminar on Decentralization and Local Government policy, DSF and initial results from pilot consultation.	Mike Winter & Jesper Steffensen	
July 2007	Submission of Ministerial Technical Groups report to Decentralization Secretariat in MSA	Jesper Steffensen	Possible 2 visits between February and July/August. A mid-term meeting with all MTWG.
August/September 2007	Submission and endorsement by CoM of: <ol style="list-style-type: none"> 1) Legislative proposal on territorial demarcation and new territorial map (including report on the national consultation); 2) Legislative proposal on Law on LG (including report on the Ministerial reviews and consultation on functional assignments and fiscal arrangement. 	External TA on territorial demarcation? + External TA on functional assignments & Finances + Mike/Roger	TA team to draft legislative proposals
October – November 2007	Drafting of legal framework	Legal drafters	One for the LG law and One for territorial reform (?), and one fiscal experts
December 2007	Discussion and approval by CoM: <ul style="list-style-type: none"> • Law on Administrative & Territorial Division • Law on Local Government 	Possible assist in discussions in CoM – Roger Legal drafters to	Legal drafter to amend legislation externally

Estimated completion dates	Main activities	External TA	Comments
		assist in revising	
January 2008	Submission to National Parliament	Legal drafter	Possible legal drafter to be present during presentation and discussion in NP
January 2008	Commence drafting of subsidiary legislation and regulations	Mike, Jesper & Legal drafter	
February 2008	Approval of related laws by National Parliament		Tentative
March 2008	Promulgation by the President		Tentative
March-June 2008	Preparations of first phase municipalities and budgets for FY 2008-9		
July 2008	Roll out of LG reform and establishment of 10 new Municipalities		Mike, Jesper, Roger to assist in drafting implementation plans prior to roll-out

Annex 2:

DECENTRALISATION SECRETARIAT

TERMS OF REFERENCE

In order to assist the Ministry of State Administration in the formulation of a comprehensive legal and regulatory framework for decentralisation and local government in Timor-Leste and to support the initial implementation of this legal and regulatory framework, a Decentralisation Secretariat will be established within DNAT.

A. Functions

The Decentralisation Secretariat will have the following functions:

- (i) to manage continued pilot (ex-LDP) activities in a selected number of Districts and Sub-Districts;
- (ii) to ensure that the lessons learned from pilot (ex-LDP) activities inform decentralisation and local government policy formulation and the development of a comprehensive legal and regulatory framework;
- (iii) to assist the Council of Directors in MSA in drawing up a Decentralisation Strategic Framework (DSF) for the period 2007-2011. The DSF will define in detail the steps that the Ministry of State Administration will take in order to establish a legal and regulatory framework for local government and the activities that will be undertaken in order to implement this framework;
- (iv) to provide day-to-day management for the implementation of MSA's Decentralisation Strategic Framework. This will include (but not be limited to) the following activities:
 - coordinating and facilitating any consultation processes associated with policy formulation and implementation;
 - liaising with Directorates within the Ministry of State Administration;
 - liaising with the Ministry of Planning and Finance, the Ministry of Justice and other central Ministries;
 - liaising with Line Ministries (such as Education, Health, etc.);
 - liaising with Sub-National Administrations and – as they emerge – with Municipalities;
 - drafting Terms of Reference for Sector Advisory Committees or other such Working Groups;
 - overseeing inputs and outputs from national and international consultants contracted to provide technical support for implementation of the DSF;
 - organising and facilitating workshops, seminars and similar types of event;
 - assisting MSA in the drafting of correspondence or documentation linked to DSF implementation.

The Decentralisation Secretariat will be a transitional institution, and will be dissolved as and when the process of establishing local government in Timor-Leste is completed and upon the decision of the Council of Directors of the Ministry of State Administration .

B. Reporting and accountability

On a day-to-day basis, the Decentralisation Secretariat will be accountable to and report to the Director of DNAT. In conjunction with the Director of DNAT, the Decentralisation Secretariat will:

- (i) submit an annual work plan (based on the DSF) to the Council of Directors of MSA for discussion and approval;
- (ii) submit six-monthly and annual reports to the Council of Directors of MSA;
- (iii) provide the Council of Directors of MSA with any information related to implementation of the DSF;
- (iv) attend (if required) meetings of the Council of Directors of MSA.

C. Composition of the Decentralisation Secretariat

The Decentralisation Secretariat will be composed of the following technical members:

- (i) an International Technical Adviser;
- (ii) a National Programme Coordinator (Pilot Activities);
- (iii) a National Programme Coordinator (DSF Implementation);
- (iv) a National Local Planning Specialist (Pilot Activities);
- (v) a National Local Finance Specialist (Pilot Activities);
- (vi) a National Capacity-Building Specialist (Pilot Activities);
- (vii) a National Organisational and Facilitation Specialist (DSF Implementation).

Personnel for positions (i) – (vii) will be provided to the Decentralisation Secretariat by the Local Governance Support Programme (LGSP), which will cover all salary and associated costs.

In addition to LGSP personnel positions, the Decentralisation Secretariat may also include GoTL staff specially seconded for the purposes of supporting DSF implementation.

The work of the Decentralisation Secretariat will be supported by short term international and national advisers for specific tasks, for which the Terms of Reference will be approved by the Council of Directors of MSA.

Finally, the Decentralisation Secretariat will also include staff necessary for administrative and logistical support.

Annex 3:

MINISTERIAL TECHNICAL WORKING GROUP

TERMS OF REFERENCE

To ensure technical quality and ownership of the process each Ministry shall establish Ministerial Technical Working Group (MTWG) to take a lead role in reviewing and make recommendations for transfer of tasks, HR needs and re-location, costing, phasing, etc. within each Ministry. The output in a form of a MTWG report will feed into the section on functional assignments in the Law on Local Government.

The Ministry shall appoint a senior staff member as the focal point which will lead the work of their internal MTWG and liaison with the DSF Secretariat in MSA. It is the responsibility of each Ministry to appoint members of their MTWG, however, it is recommended that the Ministry appoints senior staff from all the departments to be involved in the process. The MTWG will be a transitional group with a time-bound and clearly defined mandate.

The Ministry shall also establish a MTWG advisory team if technical advisors are already available within the Ministry. The MTWG together with the advisory team shall identify if any external Technical Advisory services is needed to complete the task assigned to the Ministry in relation to the DSF.

MTWG Responsibilities:

The MTWG will prepare Ministerial Technical Working Group **report** as established in the DSF which will include, but is not limited to: **[Likely content]**:

- Review of the existing organization of functions and service delivery, which are performed at the local levels,
- Review and Identification of tasks to be transferred to new municipal units;
- Staffing needs, structure and redeployment in accordance with transfer of tasks;
- Review of the existing budgets available for the functions,
- Costing and budgets of local delivery of devolved functions and responsibilities;
- Phasing of transfer of tasks to the new municipalities (first batch municipalities)
- Phasing of transfer of tasks to the new municipalities (second and third] batch municipalities)
- Long term view on future transfer of tasks [second phase of tasks to be transferred]
- Define the new role of each Central Ministry, staffing/budget in accordance with new division of functional responsibility;
- Define the role of the Region [only if they already using the regional level or have plans to do so]
- Identify and define any capacity building needs for Ministry staff;

- Sector devolution guidelines, which may include standard issues to be handled: Procedures for transfer of tasks and staff, funding issues, legal issues, etc.
- Plan, oversee and assist in implementation of LG reform [To be defined in DSF Part 2].
- Identify laws and regulations within each Ministry which needs to be amended, changed or drafted in terms of harmonizing legal framework;
- Specific sector recommendations.

The Ministerial TWG Report completed by July 2007, and submitted to the Decentralization secretariat in MSA for further analysis and incorporation to the Law on Local Government.

Annex 4:

MoPF TECHNICAL WORKING GROUP

TERMS OF REFERENCE

The MoPF TWG shall be established within the Ministry and take a lead role - in coordination with the Decentralization Secretariat - in defining basic principals and provide technical recommendations to the section on local government finances in the Law on Local Government and subsidiary finance legislation.

The Ministry shall appoint a senior staff member as the focal point which will lead the work of their MoPF TWG and liaison with the DSF Secretariat in MSA. It is the responsibility of the Ministry to appoint members of the MoPF TWG, however, it is recommended that the Ministry appoints senior staff from all the departments to be involved in the process. The MoPF TWG will be transitional groups with a time-bound and clearly defined mandate.

The Ministry shall also establish a Ministerial TWG advisory team if technical advisors are already available within the Ministry. The MTWG together with the advisory team shall identify if any external Technical Advisory services is needed to complete the task assigned to the Ministry in relation to the DSF.

MoPF TWG Responsibilities:

The MoPF TWG will prepare a Ministerial Technical Working Group **report** as established in the DSF which will include, but is not limited to: **[Likely content]**:

- Recommendations for overall fiscal framework;
- Framework for the establishment of a Municipal treasury (institutional framework, staffing (including redeployment) and costing);
- Review planning procedures,
- Finance management procedures;
- Review accounting systems and links between the municipal and central accounting frameworks,
- Review and recommendations for changes to national budget structure and regulations;
- Recommendations for a new grant system;
- Recommendations for LG own-revenues (short-term, medium and long term);
- Review M&E and reporting formats
- Review the audit requirements, systems and procedures for the future municipalities.
- Define the new role of MoPF vis-à-vis the Municipal Treasury;
- Identify and define any capacity building needs for Ministry and new finance staff;

- Sector devolution guidelines , which may include standard issues to be handled: Procedures for transfer of tasks and staff, funding issues, legal issues, etc.
- Plan, oversee and assist in implementation of LG reform [To be defined in DSF 2].
- Identify laws and regulations which needs to be amended, changed or drafted in terms of harmonizing legal framework;

The Ministerial TWG Report completed by July 2007, and submitted to the Decentralization secretariat in MSA for further analysis and incorporation to the Law on Local Government.