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ANNEX III

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Democratic Republic of Timor-Leste for 2022

Action Document for Strengthening Public Finance Management in Timor-Leste

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Strengthening Public Finance Management in Timor-Leste OPSYS number: ACT-60849 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	Timor-Leste (Asia)
4. Programming document	Multi-annual Indicative Programme for Timor-Leste for the period 2021-2027
5. Link with relevant MIP objectives / expected result	Priority area 2: Good governance for sustainable development Specific objective 2.1: Strengthen democracy, the rule of law and governance, including e-governance Expected result 2.1.2: Strengthen domestic and other revenue mobilisation, public expenditure management and increased efficiency and effectiveness of public expenditure in partner countries
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority Area 2: Good governance for sustainable development (DAC 151)
7. Sustainable Development Goals (SDGs)	Main SDG: 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. Other significant SDGs: 1. End poverty in all its forms everywhere; 5. Achieve gender equality and empower all women and girls;

	17. Strengthen the means of implementation and revitalize the global partnership for sustainable development			
8 a) DAC code	15111 – Public finances management			
8 b) Main Delivery Channel	60000 – Private sector Institution			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers¹ and Tags²:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

¹The internal markers have been created to report on the implementation of the Commission's own policy priorities in areas where no DAC reporting tool is available. For the sake of consistency and comparability, the methodology is equivalent to the DAC markers, with three possible positions (main target, significant target, not targeted).

²Methodology for additional tagging providing granularity on internal markers is under development.

	digital entrepreneurship		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	job creation		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital skills/literacy		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital services		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Tags: transport		<input type="checkbox"/>	<input type="checkbox"/>
	people2people		<input type="checkbox"/>	<input type="checkbox"/>
	energy		<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity		<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line: 14.020132 The Pacific Total estimated cost: EUR 3 million Total amount of EU budget contribution: EUR 3 million			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing³	Direct management through: - Procurement			

1.2. Summary of the action

This Action ensures the continuity of the EU support to the government in the field of Public Finance Management (PFM) reform in Timor-Leste. The Action is included in Priority Area 2 of the Multiannual Indicative Program 2021-2027, "Good Governance for Sustainable Development", which in turn is in line with the government's objectives of the Strategic Development Plan 2011-2030 regarding public sector management and good governance as well as the Economic Recovery Plan 2021-2022 (approved in August 2020).

The rationale behind this support stems from the fact that one of the primary constraints to the country's development lies in the weak capacity of its institutions, which are still in a process of development and consolidation, following the post-independence period. This weakness is particularly evident in the field of public finances and is reflected in the limited capacity of the administration of Timor-Leste to manage public resources effectively and efficiently, with a direct negative effect on the state's capacity to implement their human rights obligations, in particular, it's capacity to deliver quality basic services. The government has affirmed its political will to improve the public finance system, but this has not yet been translated into a concrete action plan. Therefore, this action is based on the project modality, focusing on key reform areas, like

³Art. 27 NDICI.

the domestic resource mobilization, the consolidation of programme budgeting and the fiscal decentralization, the latter in connection with the administrative decentralization.

When the PFM reform action plan is approved, the present Action will support its initial implementation, assisting the government to put in place the reform coordination and monitoring mechanisms through technical assistance to be delivered to relevant Directorates of the Ministry of Finance, envisaging also the implementation of climate and gender PFM reforms. The Technical Assistance (TA) does not intend to replace the administration's functions and responsibilities. It will rather provide strategic advice on the implementation of the reform in specific domains.

The specific objective (outcome) of this action is to Strengthened domestic and other revenue mobilisation, public expenditure management and increased transparency, efficiency and effectiveness of public expenditure for the benefit of all.

The expected outputs to be delivered by this action contributing to the specific objective are **(i)** PFM Reform Action Plan launched and initially implemented, with a special attention on gender, climate change adaptation and digital transformation, **(ii)** Tax Authority reinforced, through the development of a people-centred tax system and administration, **(iii)** System of gender-responsive planning, programming and budgeting harmonized, articulated and streamlined in line with the new budget framework law, and **(iv)** Fiscal decentralization strategy elaborated and approved.

The Action contributes directly to the attainment of the SDG objective "16. Peace, justice and strong institutions", which highlights the purpose of improving transparency and effectiveness of the public administration as well as the gradual decentralisation of planning and budgeting to the municipal level. It will also contribute to the attainment of the SDGs "1. No poverty", through the setting up of planning and budgeting systems that will address the provision of public services to the population, in particular to those living in vulnerable situations, "5. Gender equality", through the inclusion of this dimension in the PFM reform goals and budget systems, and "17. Partnerships for the Goals", focusing on the international cooperation and partnership supporting PFM reforms in a coordinated and complementary manner.

The Action will address the EU objectives underlying its cooperation strategy, namely climate change, green economy and digitalization by mainstreaming those domains into the public finance reform process. And in light of the Gender Action Plan III – 2021-2025, and specifically the Country Level Implementation Plan, which reflects the key findings and recommendations of Timor-Leste gender analysis, this action will contribute to accelerate progress towards gender equality and Timorese women's and girl's empowerment and provide specific support to the Government and to the Ministry of Finance so their plans may reflect also concrete actions that contribute to gender equality and women's empowerment in the country.

2. RATIONALE

2.1. Context

The EU has been supporting the government of Timor-Leste in carrying out Public Finance Management reforms since 2014. A budget support operation, under the 10th EDF, totalling EUR 3 million, follows previous interventions under the project approach modality. The objective of this program was to improve the PFM system focusing on domestic revenue mobilization through customs and tax administration strengthening.

Under the 11th EDF, the support for the PFM reform continued with the Sector Reform Contract "Partnership to improve service delivery through strengthened Public Finance Management and Oversight (PFMO) - 2018-2022" (EUR 30 million). This contract includes two components: i) Component 1, budget support to strengthen the effectiveness, integrity, transparency, accountability, citizen-orientation, and control of public finance management for an amount of €17 million; ii) Component 2, under the Complementary Measures, totalling EUR 13 million, indirectly managed by Instituto Camões, the Portuguese cooperation agency, to support the

key budget oversight institutions, namely the Court of Accounts and the Parliament. The component 1 of the contract is coming to an end, with the last disbursement foreseen in 2022. The component 2 with Camões I.P. has been extended by 18 months, until August 2023.

The present Action is undertaken under the project approach modality, as the absence of an approved PFM reform strategy does not recommend to use budget support as an aid modality. The intervention logic of the Action is oriented to give an immediate response to a set of priority reform actions, which the government intends to pursue. When the PFM reform Action Plan is approved, the Action intends to support the government in laying the foundations for its implementation.

The present Action is in line with Priority 2 of the MIP 2021-2027, Specific objective 1, Expected Result 1 of the MIP, which envisages to support the government of to implement its Public Finance Management reform to deliver on specific areas of the Economic Recovery Plan, such as strengthening domestic revenue mobilisation policies and budget oversight mechanisms. The EU supports the development of digital capacity in Timor-Leste to enable it to take full advantage of the digital revolution, including e-governance.

Although some progress has been made over the last years, the PFM system of Timor-Leste still has significant weaknesses, which have been addressed through various organizational and institutional reform actions and capacity building efforts. An overall PFM reform strategy to address the issues raised by the Public Expenditure and Financial Accountability (PEFA) 2018, and other assessments, is still missing. Meanwhile, a new PFM strategy and Action Plan have been in preparation, with contributions from partners including the EU, and which the government intends to approve in the 3rd quarter of 2022.

In the absence of a formal PFM reform Action Plan, the action of the past governments has been oriented by some policy documents, like the Strategy Development Plan (SDP) 2011-2030, the Strategic Development Plan of the Ministry of Finance, and the Budgetary Governance Roadmap (BGR). The latter, adopted by the Government in March 2017, and reviewed in 2019, set up a road map to the transition from traditional line-item budgeting to programme and multi-year budgeting, meanwhile enacted by the new Budget Framework Law, approved in January 2022, replacing the law of 2009, that clarifies the planning mechanisms, the use of capital investment when the budget is not approved on time and introduces flexibility for budget reallocation.

Timor-Leste is highly vulnerable to climate change (ranking 117 out of 182 countries in the ND-GAIN index that reflects a country's vulnerability to climate change, showing high vulnerability and low preparedness). The country also ranks low (129) in the Environmental Performance Index; it faces particular problems in relation to deforestation and land degradation, loss of biodiversity, and pollution. Greening PFM offers opportunities for budgeting systems to better address environment and climate change priorities.

At the same time, EUs support in the PFM area goes in line with the Indo-Pacific Strategy that will deepen the engagement of the EU with partners in the Indo-Pacific, to respond to emerging dynamics that are affecting regional stability. The EU's approach is designed to foster a rules-based international order, a level playing field, as well as an open and fair environment for trade and investment, tackling climate change and supporting connectivity with the EU. In this regards, the perception of the population that the resources of the country are well managed and respond to their political demands is key to ensure stability in the country and its resilience vis-à-vis external interference.

As is widely recognised in the Global Gateway Joint Communication⁴, having a sound PFM system in place is key to provide an enabling environment to make sure projects deliver, by offering attractive investment and business friendly trading conditions, regulatory convergence, standardisation, supply chain integration, and financial services.

⁴ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, The Global Gateway Joint (2021) 30 1.12.2021

2.2. Problem Analysis

Timor-Leste is a fragile, small island developing country and its institutions are still in a process of construction and consolidation following the country's independence in 2002. Service delivery is still frail in the country, in particular in rural areas, affecting people's access to food, clean water and health services⁵. This has a heavier impact on specific groups such as women, children, people living in poverty, and persons living with disabilities

This document is based on several diagnostic studies and assessments carried out over the last years, namely: i) PEFA 2018, which provides a thorough assessment of the status of the PFM system over the years 2015-2017; ii) Public Investment Management Assessment 2016, elaborated by the IMF (not published); iii) Public Expenditure Review (PER) 2021, elaborated by the WB; iv) Climate Public Expenditure and Institutional Review, elaborated by UNDP in January 2022; v) Tax Administration Diagnostic Assessment Tool (TADAT), still ongoing; vi) Methodology for the Assessment of Procurement Systems (MAPS), still ongoing; vii) and the EU annual Public Finance assessments.

Timor-Leste has also undergone a continuous process of PFM reform, which has been affected by political instability, as well as by the limited capacity of its human resources and more recently by the Covid pandemic. Consequently, the country struggles to move forward with the institutional reforms in general and the PFM reform in particular.

PFM reform seems however to be gaining momentum with the intention manifested by the administration to review and update the draft PFM Reform Policy and related Action Plan, covering the period 2021-2025. The draft PFM Reform Policy document sets out the key goals of the reforms and identifies the priority reform actions, whereas the PFM Action Plan provides an implementation roadmap while identifying the institutional responsibilities. PEFA 2018 assessment found that although PFM reform has gradually progressed since the previous PEFA 2013, the overall performance had stalled and even deteriorated in specific areas. The PEFA assessment shows that 9 of the 31 indicators had deteriorated, 7 have improved and 10 remained unchanged. PFM reforms in some areas are advancing but at a very slow pace. Significant human resources constraints like high staff turnover, low technical capacity, low motivation, and lack of management experience, compounded by weak political consensus, have been the main causes of the reform's poor performance.

Programme budgeting was adopted in March 2017 through Government Resolution 17/2017. A Budget Governance Roadmap was prepared by the OECD with the support of the Australian Government with a focus on the transition to programme budgeting, but also including elements related to the development of medium-term planning and budgeting, M&E systems, and transition to accrual accounting. Although programme budgeting has been adopted by the whole government with the 2022 budget, there is still a long way to go before reaching a fully developed and consolidated system. Medium-term budgeting gave some steps but a coherent system linking the overall Medium-Term Fiscal Framework (MTFF) to the Medium-Term Expenditure Frameworks (MTEF) at the sector level, still has to be developed. The M&E system, which is a key pillar of the programme budget, has also made notable progress with the development of the *Dalan ba Futuru* system⁶ (The Road to the Future), a tool designed to assist the elaboration of annual plans, monitoring and tracking its implementation and to evaluate its results, but the link between planning (medium-term) and budgeting (short term) still needs to be developed.

Although "Collecting more" is an integral component of the Strategic Development Plan 2011-2030, the revenue composition remains very unbalanced and is unsustainable over the longer term. The government's total revenue depends on 84% of the withdrawals from the petroleum fund, 6% on taxes on commodities (excise, import duties, sales), 4% on income, and 4% of non-tax revenue. Diversification of the domestic

⁵ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G21/313/39/PDF/G2131339.pdf?OpenElement>

⁶ DBFTL is a "web-based application" developed using an "Open Source" platform and hosted in Government Datacentre TIC- Timor

revenues, while drastically reducing the dependence on the Petroleum Fund, is a key strategic objective that informs the ongoing fiscal reform. The tax administration reform has advanced with the creation of the Customs and Tax Authorities but these organizations still struggle with a lack of resources to fully fulfil their mandate. Some key legislation still needs to be approved, like the tax procedural rules. The information management systems of those authorities have been developed (ASYCUDA World in Customs and SIGTAS in the fiscal administration), with EU support, but still need to be interlinked with the information systems network of the government, namely the budget information system (FreeBalance). PEFA highlighted, in particular, the poor monitoring and control of the revenue arrears, namely the lack of a procedure to categorize the revenue arrears based on their ageing. A strategy to recover those arrears seems absent.

Fiscal decentralization is still at a very early stage as it depends on the setting up of the administrative decentralization which is progressing very slowly, and key steps, such as the election of local bodies, have been systematically postponed. However, local administrations have gained some autonomy after 2017, namely as regards the preparation of their budget, according to the general budgetary rules, and assumed the responsibility for some execution functions like payments, procurement (up to USD 150,000), accounting and reporting. Some operations are managed directly through the budget information system (FreeBalance).

However, the sources of revenue of the Municipalities are very limited, and the situation can hardly improve without a proper legal basis for revenue collection. The lack of technically qualified staff is also a significant constraint. The expected next developments towards decentralization are the approval of the Local Finance Law and the formulation of a strategy of fiscal decentralization as part of the PFM reform strategy and in coordination with the implementation of the administrative decentralization.

Regarding environmental context, Timor-Leste is situated in a high biodiversity hotspot (the Coral Triangle) comprising a number of globally significant ecosystems and endemic species. Approximately 35% of the land area has some type of forest cover, but deforestation is a significant problem. The country also contains globally significant ecosystems, including tropical rainforests, mangroves, wetlands, and important marine ecosystems. These ecosystems play a critical part in climate regulation, sequestration of carbon, and in building adaptive capacity to climate change.

The most pressing environmental problems include deforestation, land degradation, natural disaster vulnerability due to climate variability, poor water quality and water scarcity, waste management, and loss of biodiversity and ecosystem services.

Actual public expenditure on highly climate relevant programs and activities has been declining over the years. In 2018, Timor-Leste spent 4.67% of its GDP in highly climate relevant programs and projects, but the percentage came down to 2.31% in 2020. Most of the climate relevant expenditure has been financed by internal resources through the Infrastructure Fund. However, Infrastructure Fund financed highly climate relevant public expenditure has rapidly declined over the years.

Securing the people, peace, and prosperity from the impacts of climate change would require economy wide effort for climate adaptation of all sectors critical for its development also by integrating environment and climate concerns into the budgeting system.

2.3. Stakeholders analysis

The stakeholders involved in the present Action include two Directorates of the Ministry of Finance (Office of Public Finance Management Reform and Capacity Building and the Directorate-General for Planning and Budget), as well as the Tax Authority and the National Agency for Planning, Monitoring and Evaluation.

The **Office of Public Finance Management Reform and Capacity Building** is the unit of the Ministry of Finance responsible for the preparation and implementation of the PFM Reform strategy. According to its mandate, laid down in the MoF's organic law, this unit is responsible for the improvement of the policies and procedures in the domains of domestic resource mobilization and the execution of public expenditure. It is

mandated to develop the interconnection between the public finance information system and the information system used by the relevant institutions of the public sector. It is also responsible for the capacity development of human resources in all domains of public finance in cooperation with the relevant services, and to ensure the functioning of the budget information systems, namely the Government Resource Planning System (GRP) and the Budgeting Performance System (BP).

The **Directorate-General for Planning and Budget (DGPO)**, according to the organic statute of the Ministry of Finance (Dec-Law 28/2019 of 25 September), is the central service of the MoF that ensures the general guidance and coordination in the areas of macroeconomic policies, planning and budgeting. In this context, the DGPO oversees the preparation and execution of the state budget in accordance with the priorities of the Strategic Development Plan and ensures the roll-out of programme budgeting to the line ministries. It is charged with establishing cooperation mechanisms with other entities in related domains, namely with ANAPMA envisaging the articulation between the medium-term planning at the macro and sector levels, the MTEF and the annual planning.

The **Tax Authority** was created in April 2017 through the Decree-Law 13/2017, establishing the statutes, mandate and organic structure of the new administration. The new authority is responsible for the tax collection and to prevent and combating fiscal evasion and fraud. The Tax Authority is responsible for managing and collecting income and property taxes, as well as administrative fees and other financial contributions. It plays a central role in the strategy for mobilizing domestic resources.

The **National Agency for Planning, Monitoring and Evaluation (ANAPMA)** was created by the Decree-Law 24/2021 of November 17th, giving continuity to the functions that were previously carried out by the *Unidade de Planeamento, Monitorização e Avaliação (UPMA)*. ANAPMA remains under the oversight of the Prime Minister, but the new organization has acquired an autonomous administrative status, although from a financial point of view it continues to depend entirely on the State Budget. The mandate of ANAPMA focuses on medium-term strategic planning while ensuring the linkage between planning and budgeting.

Women and men, girls and boys in all their diversity are the rights-holders with regards to improved governance and public administration, and closer and better access to public services. Civil society organisations representing rights-holders, in particular women and groups in vulnerable situations, have a role in ensuring that the budget planning process, the PFM Reform Action Plan and the tax system are responsive to people's needs and interests, and apply a human rights-based approach and gender mainstreaming.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The **overall objective** (impact) of this action is to contribute to strengthen democracy, the rule of law and governance, including e-governance.

The specific objective (outcome) of this action is to Strengthened domestic and other revenue mobilisation, public expenditure management and increased transparency, efficiency and effectiveness of public expenditure for the benefit of all.

The expected outputs to be delivered by this action contributing to the specific objective are:

1. PFM Reform Action Plan initially implemented with a special attention on gender, environment, climate change and digital transformation.
2. Tax Authority reinforced, through the development of a people-centred tax system and administration.
3. System of gender-responsive planning, programming and budgeting harmonized, articulated and streamlined in line with the new budget framework law.
4. Fiscal decentralization strategy elaborated and approved.

3.2. Indicative Activities

Activities related to Output 1

- To advise and assist the Ministry of Finance, namely the Minister and the Office of Public Finance Management Reform and Capacity Building Policy (*Gabinete de Política de Reforma e Capacitação em Gestão das Finanças Públicas - GPRCGFP*) in the initial implementation of the PFM reform action plan, namely in organising and fostering the PFM reform governance structure and its monitoring.
- To assist the Ministry in budgeting the reform actions, both in the Ministry's MTEF and in the annual budget, taking into account the integration of gender, climate change, environment and digital transformation into the budget system and priorities.
- To assist in setting up the monitoring and reporting mechanisms of the reform implementation with specific focus on gender, climate change adaptation, climate change mitigation, environment and digital transformation.
- To assist GPRCGFP to elaborate and implement a capacity-building strategy in line with the PFM Reform Action Plan, specifically training staff to prepare climate and gender sensitive actions
- To organize and facilitate workshops with the main actors involved in the implementation of the PFM reform, to create awareness of the reform priorities and to identify possible constraints and propose adequate solutions.

Activities related to Output 2

- To support the Tax Authority to draft a Medium-Term Strategy Plan for tax and non-tax revenue collection.
- To advise the Tax Authority in the identification of priorities and sequencing of the people-centred tax reform, to diversify the types of taxes
- To support the authorities in the final revision of the Taxation Law (building on the work made since 2017) before its submission to approval (in case it has not yet been approved).
- To advise on the decentralization of the tax administration to the municipalities, namely to promote tax compliance and improve communication with the taxpayers
- To assist the government in the drafting of the final version of draft law that revises Law 8/2008 (in case it has not yet been approved)
- To assist the Tax Authority in the development of the tax system and administration, in the context of the preparation and implementation of tax reform
- To assist the Ministry to diversify the non-tax revenue by exploring other possible sources. In this context, elaborate a concept note on the sources of revenue as a basis for the elaboration of the legal and regulatory framework by a legal expert.
- To assist the ministry in preparing the Tax Procedure Code (or implementing it in case it has been approved in the meantime)
- To assist in the full implementation of SIGTAS v3, namely in its installation in the regional offices, the direct access of tax payers to the e-filing and e-payment functions, and to optimize its use with the processing of information to support decision making and to conduct analytical work.

Activities related to Output 3

- To assist the Directorate General of Planning and Budgeting (*Direção Geral de Planeamento e Orçamento - DGPO*) in coordination with ANAPMA in the articulation between the development, medium-term planning, and the annual budget, taking into consideration the mainstreaming of gender, climate change, environment and digital transformation into the planning and budget system.

- To assist DGPO in articulating the Strategic Development Plan, the Grandes Opções do Plano and the programming and budgeting documents.
- To assist DGPO in preparing Guidelines for Programme Budgeting and respective regulations.
- To assist the ministry in the reconciliation between the MTEF and the annual budget
- To assist the ministry in preparing a concept note on fiscal rules and setting up an implementation strategy
- To assist the ministry in the empowerment of the line ministries to enable them to develop and utilize MTEF in budgeting
- To assist the ministry in guiding the line ministries to prepare their programme budgets, including the design of plans and programmes, the definition of performance indicators, setting baselines, and costing (task to be done in cooperation with ANAPMA)
- To provide opinion on the content of the training programmes on planning, programming and budgeting targeting the government officers involved in those domains.

Activities related to Output 4

- To provide advice on the draft Law of Local Finance (if not approved yet) and subsequent regulation and implementation in line with the administrative decentralization and deconcentration.
- To assist the Ministry in the elaboration of a fiscal decentralization strategy in line with the PFM reform policy with relevant gender and climate change sensitive orientations.

3.3. Mainstreaming

Environmental Protection & Climate Change

Timor-Leste has adopted a National Adaptation Plan (NAP) in the context of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. NAP provides a framework for the incorporation of climate change adaptation and mitigation into sector planning and budgeting. Therefore, budgeting processes should ensure the appropriate allocation of financial resources to climate change-related public interventions. The present TA project to the PFM reform will support the administration to create the instruments and establish the procedures to identify the entry points relating NAP with the budget system and to make sure that the allocation of financial resources will respond to NAP's implementation requirements.

Gender equality and empowerment of women and girls

According to the Strategic Development Plan, which sets out, since 2011, the strategic policies to be implemented in the short, medium and long terms with a view to transform Timor-Leste into an upper middle-income country by 2030⁷, the proportion of women in the National Parliament, armed forces and the police is among the highest in the world. However, the same document recognizes that traditional gender biases still affect all aspects of life. The fertility rate is still among the highest in the world, and maternal mortality rate is still very high, with 42% of all deaths of women aged 15-49 years old.

The purpose of addressing gender equality is high on the government policy agenda in the PFM domain. The Strategic Development Plan includes a gender mainstreaming strategy to achieve gender equality by 2030. Following the adoption of the Budgetary Governance Reform Roadmap, which includes gender equality in planning and budgeting, the Government adopted a public policy note on the budget for the period 2017-2022,

⁷ Its four pillars address social capital, infrastructure, economic development and the institutional framework. Key sectors such as education and health have developed sector strategies under the SDP, while all ministries use five year plans to implement their medium term objectives. Since 2013, the SDP has been monitored through a matrix with corresponding indicators (Dalan ba Futuru).

providing a set of gender-sensitive indicators. In addition, a specific and transversal gender-focused program has been included in Ministries' Program Budget structures that are responsible for implementing commitments assumed by the State.

Timor-Leste fully supports Sustainable Development Goal 5 on achieving gender equality and the empowerment of all women and girls and re-commits to implementing the Beijing Platform for Action. The Government continues to implement several incentives to improve the socio-economic status and empower economically vulnerable groups, namely girls, women, young people, the elderly, the disabled and marginalized groups through various financial supports.

The GoTL has committed to developing gender-responsive budgeting through a Policy Note on Gender Responsive Budget in 2018, which has translated into the adoption of a gender maker classifying the gender-related expenditure in the context of the state budget. This procedure can guide the allocation of budget funds that impact gender equality.

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1, meaning the action targets gender equality has a specific objective. Gender mainstreaming will be ensured at all stages of the action. Sex-disaggregated data and gender-sensitive indicators will be privileged, as well as GAP III indicators, to ensure the contribution to gender equality can be effectively measured.

Human Rights

The EU support to the PFM reform, to be provided in this project through technical assistance, will be based on the Human Rights Based Approach adopted by the European Union in its international partnerships. It's five working principles (a) applying all human rights for all; b) meaningful and inclusive participation and access to decision making; c) non-discrimination and equality; d) accountability and rule of law for all; and e) transparency and access to information supported where possible by disaggregated data) will be integrated into the project's activities.

Effective public finance management is one of the pillars of public governance, and as such, in its dialogue with government. Therefore, this Action aims at ensuring that those fundamental principles are incorporated into the reform of the public finance management system. Specifically, people's participation in the budget process, access to information on the budget and public accounts, are fundamental conditions that the reform must ensure, through the creation of appropriate instruments (peoples budget, gender and disability sensitive budgeting, participation fora, institutional and public scrutiny of public decisions and policy measures). In this sense, this Action is guided by the mainstreaming of principles, objectives and measures that promote democratic principles of citizen participation, that guarantee gender equality, supported by public policies that address disability and respond to the needs of the most vulnerable segments of the population.

Conflict sensitivity, peace and resilience

The reform of public finances, within the scope of this Action, should be approached as an instrument that contributes to a greater resilience to external shocks caused by its vulnerability to natural disasters. An efficient and effective PFM system will provide an adequate framework to public policies conducive to economic diversification and to a sustainable economic growth, which ultimately will improve the resilience of the country to external shocks. Moreover, a PFM system capable of ensuring an equitable and fair allocation of public financial resources will contribute to a more peaceful society minimizing the risk of internal conflicts.

The increase in PFM quality standards has in turn the potential to foster economic growth and diversification, job creation and sustainable development that promotes peace and strengthens economic resilience. Nevertheless, Timor-Leste is a fragile country. Like in the past, conflicts may arise and resilience may need to be (re-)built.

Disaster Risk Reduction

Timor-Leste is prone to number of natural disasters including flood, drought, and storms and in a lesser extent Tsunami; and as an Island where the majority of the economic infrastructure is at sea level the increasing sea level is an anticipated risk. There is a natural focus on building-back-better and other initiatives related to reducing the possibility of future disasters and the implementing partners are fully aware of this.

To check for initiatives to increase resilience, for the organization to address the occurrence of natural disasters and how is this addressed by the state budget.

Following the last catastrophic rain in April 2021, which exposed the lack of governmental preparation to respond to the regular occurrence of natural disasters, the government has committed to increase the initiatives on DRR. However, they need to be planned, included in the budget, and its implementation to be monitored.

Other considerations

The fight against corruption and fraud is high on the government's agenda and will also be mainstreamed. The EU is already providing support through the Complementary measures of the PFMO budget support contract.

Risks

Category	Risks	Likelihood (High/Medium/ Low)	Impact (High/Medium/ Low)	Mitigating measures
Political	Changes on the political sphere might reduce support to the continuity of the PFM reform.	Medium	High	The EUD, in coordination with external partners, will keep the PFM reform high in the agenda of the policy dialogue with the government.
	Other, complementary, key reforms (like civil service management, strategic sector planning, and decentralization) do not progress at the desired pace, which may compromise the success of public finance reform.	Medium	High	The EUD will approach policy dialogue in a comprehensive manner, interlinking the different policy domains.
	The high-level vulnerability to exogenous shocks (e.g. sudden change in international prices, climate-related) will divert political priorities from the PFM reform.	Medium	High	In coordination with other international partners, the EUD will emphasize the need to keep the PFM reform and a sound fiscal policy as part of the key priorities.
Public Finance Management	Institutional and organizational reforms envisaging the control of corruption and budget oversight by external independent entities could not be effective enough.	Medium	High	The EUD will monitor these particular reforms and will give them priority in the agenda dialogue with the government. The dialogue with the implementing team of the Complementary measures of the PFMO budget support programme will be ensured and reinforced.
	The financing of the PFM reform is not clearly assumed by the government, and not inscribed in the state budget	Medium	High	The preparation of the state budget will be systematically monitored. If need be, through the regular policy dialogue between the EUD and the government, the adequate budgeting of the reform actions will be included in the agenda of discussions.
	Coordination among the main stakeholders is weak and negatively affects decision-making about the advancement of reforms	Low	Medium	The EUD, in coordination with other partners, will obtain assurance from the government that budget reform coordination mechanisms will be in place since the beginning.
Organisational	The technical capacity of the staff of the Ministry of Finance is weak and does not allow an adequate absorption of the TA advising and recommendations, including on human rights and gender equality.	Low	Medium	The TA team will adopt a hands-on and direct approach with the managerial and technical staff of the ministry in order to maximize the transfer of knowledge. Moreover, the TA team will pay particular attention to the formulation and execution of training programmes, particularly in the domains of their expertise. It will also support the Ministry to launch a comprehensive capacity building assessment as a basis for the design of a capacity-building strategy, with a human rights and gender equality perspective.
	Key legislation is not passed in a timely manner, which slows down the progress of reforms	High	Medium	The TA team, under the supervision of the EUD, will foster awareness raising inside the administration on the reform objectives and the need to accelerate the legislative process.
Operational	The mobilization of the technical assistants encounters obstacles in finding suitable and professional profiles. The availability of consultants for long-term missions could also constitute an obstacle.	High	High	The EUD project manager will ensure the availability of consultants with a suitable profile. As a response to this risk, the project management must propose alternative solutions in order to guarantee that the project objectives will be achieved.

Lessons Learnt:

The pace and sequencing of the PFM reform have been marked by the political instability and by the weak communication among the ministries due to the composite political representation in the government. As a result, decisions have been delayed and processes have been interrupted or slowed. The protracted approval of the PFM reform Action plan is a result of those factors. Weak donor coordination in recent years could not leverage the decision-making to push for the public finance reform. This suggests that future EU initiatives, including the present Action, needs to ensure in advance the government's commitment to organize and foster the coordination of external partners. In 2017, the EU supported the creation of a PFM working group between the Government and PFM stakeholders as a condition for budget support for PFM. The present process of preparation of the PFM reform action plan creates a new opportunity to relaunch such coordination.

Public finance reform and administrative decentralization are part of the institutional reforms that have been more closely supported and monitored by the EU, namely through budget support programmes and respective complementary measures. These reforms have progressed much slower than initially anticipated due to the factors indicated above. The lack of qualified human resources compounded by a weak management culture in the public administration affects the preparation and implementation of the reform instruments. Those constraints have been offset by technical assistance, advising that the objectives of public interventions, and related technical assistance, take into account the time needed to develop and adopt innovative methods and processes within the administration, focusing on the transfer of knowledge based on the learning by doing approach, to create effective local capacity.

Significant investment has been made over the last years in developing staff capacity in different PFM domains, but the overall impact on the improvement of PFM governance is not apparent despite the progress made in the same areas. A comprehensive needs-based capacity assessment is needed as a basis for the design of a capacity-building strategy. Ideally, these actions should be carried out in the context of the implementation of the PFM reform action plan.

Language is a significant communication issue within the administration. The coexistence of four languages (Portuguese, Tetum, English and Indonesian, the first two being the official languages) is a factor that does not facilitate communication and dialogue between the stakeholders involved in the reform processes. The legislation is drafted in Portuguese but most of the PFM tools are developed in English and eventually translated into Portuguese and Tetum. However, the managerial and technical staff speak mainly Tetum and communicate with the external stakeholders using English as *lingua franca*. This situation makes communication dysfunctional, increases the time needed to prepare decisions and implement them and increases substantially the transaction costs of the administrative action.

This Action takes those constraining factors into account in its risk management strategy. In concrete, the role of the technical assistance will be geared towards assisting the decision-makers in making the right choices and in supporting the technical staff to elaborate the policy documents and instruments by themselves. The TA will take a proactive stance in promoting coordination and inter-sectoral dialogue in the preparation of decisions that affect the advancement of reforms.

3.4. The Intervention Logic

The intervention logic underlying this project responds to the central objective of the government, expressed in its Strategic Development Plan 2011-2030, of a coordinated development of social capital, infrastructure development and economic development, underpinned by a professional, capable and responsive public sector in the provision of public services. In this context, the reform of public finances constitutes one of the central pillars of good governance, thereby contributing to strengthen democracy, the rule of law and governance, including e-governance.

To that end, the purpose of the present project is to support the government in strengthening its Public Finance Management system to ensure efficient, effective and accountable use of public resources as a basis for improved public service delivery. The project seeks to support the implementation of the Public Finance Reform Action Plan, particularly during the critical initial phases of the reform. At this stage, it will be necessary to enforce the dynamics of the reform coordination structure, to install the monitoring and evaluation mechanisms, including the setting up of the report system and flows of information underlying the M&E system. The achievement of the Action's specific objective is supported by four results, which respond to priority areas of reform, namely, the mobilization of domestic resources, through the reform of tax administration, the development of the programming and budgeting system, focusing on the profile and quality of public expenditure, and finally, on fiscal decentralization in line with the ongoing political and administrative decentralization.

The attainment of the project's specific objective might be affected by a set of external factors, but should be determined by government decisions in some key areas of governance. In concrete, continued political willingness to advance the PFM reform programme is key to ensure the continuity of the reforms. There is also need of an inter-ministerial consensus allowing for prompt decision-making in key domains of the PFM reform.

It is assumed that the effectiveness of the PFM reform depends on the institutional and organisational reform envisaging the control of corruption and budget oversight as well as in the overall performance of the public administration. The decentralisation and deconcentration processes will be implemented according to the respective action plan and it will be eventually anchored by the fiscal decentralization. In this respect, inter-ministerial coordination between the Ministry of Finance and Ministry of State Administration allows for effective implementation of fiscal decentralization.

It is furthermore assumed that Government-led donor coordination of PFM reform is well organised and effective. Such coordination will allow a systematic participation of the external partners and civil society, including organisations working with women and other groups with specific needs and interests, in the monitoring of the reform process, while ensuring that technical assistance and capacity building support will be provided in a complementary manner.

3.5. Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (e): Main expected results	Indicators (e):	Baselines	Targets (2024)	Sources of data	Assumptions
Impact	To contribute to strengthen democracy, the rule of law and governance, including e-governance.	Human Development Index SDG 1. No poverty <ul style="list-style-type: none"> Poverty headcount ratio SDG 5. Gender equality <ul style="list-style-type: none"> Seats held by women in Parliament SDG 17. Partnerships for the Goals <ul style="list-style-type: none"> Government spending on health and education 	0.606 (2019) Poverty headcount ratio (at US\$1.9): 28.5% (2021) Seats held by women in Parliament: 38.5% (2020) Government spending on health and education: 9.4% (2018)	n.a.	Reports on the implementation of 2030 Agenda (<i>Sustainable Development Report 2021</i>) Voluntary National Review	
Outcome	To Strengthen domestic and other revenue mobilisation, public expenditure management and increased transparency, efficiency and effectiveness of public expenditure for the benefit of all.	Improved PEFA scoring Improved OBI scoring; Improved Transparency International Index; Proportion of domestic budget funded by domestic taxes (SDG indicator 17.1.2)	PEFA 2016 score: 2.08 OBI 2021 score: 41 Transparency International index: 41	Next PEFA score: OBI 2024 score: Transparency International index:	PEFA assessment report OBI bi-annual reports Transparency International reports EITI Timor-Leste EU PFM Assessment reports	Continued political willingness to advance the PFM reform programme, is reflected inadequate mobilization of resources. Political sustainability and inter-ministerial consensus allow prompt decision-making on PFM reform. Institutional reform related to corruption and budget oversight advances effectively.
		Number of EU funded initiatives supporting the implementation of political economic and social reforms and joint agreements in partner countries	0	3	Evaluation of MIP implementation and regular EAMR reporting	
Output 1	PFM Reform Action Plan initially implemented with a special attention on gender, environment, climate change and digital transformation	PFM Reform Policy document approved PFM Reform Action Plan approved	Policy and Action Plan documents exist, but are still subject to review and approval	PFM reform Action Plan approved	Bi-annual implementation reports of the PFM reform Action Plan TA periodic reports	Continued support of development partners through the provision of relevant and complementary technical assistance in a capacity-building perspective.

						Government-led donor coordination in PFM is well organized and effective.
Output 2	Tax Authority reinforced, envisaging the development of a people-centred tax system and administration	Tax Law approved Tax procedures rules approved.	Tax legislation outdated	Tax and tax procedural laws approved	Jornal da República	A culture of tax compliance is well developed among taxpayers through effective tax education programmes.
Output 3	System of gender-responsive planning, programming and budgeting harmonized, articulated and streamlined in line with the new budget framework law.	Guidelines for sector MTEF approved Guidelines for sector planning approved	No MTEF guidelines exist No Sector planning guidance exists	MTEF Guidelines approved Sector planning Guidelines approved	Bi-annual implementation reports of the PFM reform Action Plan TA periodic reports	Complementary reforms of the public administration are carried out
Output 4	Fiscal decentralization strategy elaborated and approved	Fiscal decentralization strategy document approved	No fiscal decentralization strategy exists	Fiscal strategy document is approved	Bi-annual implementation reports of the PFM reform Action Plan TA periodic reports	The decentralization and deconcentration strategy moves forward. Inter-ministerial coordination between the Ministry of Finance and Ministry of State Administration cooperate allows for effective implementation of fiscal decentralization.

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

To implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

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

4.3 Implementation Modalities [applicable for Project modality or for complementary support to a BS]

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 measures⁸.

4.3.1 Direct Management (Procurement)

In order to achieve the outcome and outputs under section 3.1, procurement contracts will be signed to implement the relevant activities.

4.3.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case procurement envisaged under section 4.4.1 cannot be implemented as planned due to circumstances outside of the Commission's control, the alternative implementation modality will be indirect management with one or more pillar assessed entities which will be selected by the Commission's services using the following criteria:

- Recognized international expertise in the domains that are at the core of the present Action, including on applying a human rights-based approach and gender mainstreaming
- Previous in-country experience and knowledge as regards the country's policy issues and constraints
- Capacity to entail policy dialogue with the higher levels of the administration in the domain of the TA

4.4 Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

⁸ 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.

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.4	
All outputs	2,920,000.00
Procurement (direct management) – cf. section 4.4.1	2,920,000.00
Evaluation – cf. section 5.2 Audit – cf. section 5.3	80,000.00
Totals	3,000,000.00

4.6 Organisational Set-up and Responsibilities

A Project Steering Committee (PSC) will provide strategic direction and oversight of the project implementation, and ensure the good governance of the project. It shall meet once a year but will also be convened whenever the project implementation requires strategic decisions or changes. It will notably link with the monitoring structures of the PFMO budget support programme and the Decentralization budget support programme, in order to ensure complementarity among those interventions.

The PSC will be chaired by a representative from the European Union Delegation and will be made up of at least representatives of the beneficiary institutions and entities concerned (Ministry of Finance, Ministry of Planning, and the selected service provider). Other relevant players, including business associations, EU Member States and other donors, and civil society organisations may be invited, while the service provider and the MoF will be responsible for the SC secretariat.

The beneficiary entities will provide the necessary working conditions to the technical assistants, namely office space and secretariat support.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partners' responsibilities. To this aim, the implementing partners 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 log-frame matrix. Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the human rights based approach and gender equality.

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).

The Project Steering Committee will follow the Action implementation, giving particular attention to the programming and monitoring of the Action activities and respective outputs, taking as key reference the

indicators set out in the logical framework. Particular attention will be given to the planning of the activities that need to be undertaken to ensure the achievement of the Action outputs in a timely manner.

The Action might be subject to external results-oriented monitoring (ROM) in line with the European Commission rules and procedures.

5.2 Evaluation

Having regard to the nature of the action, a final evaluation may will be carried out for this action or its components via independent consultants.

It will be carried out for accountability and learning purposes taking into account the particular fact that the outcomes of the present technical assistance might have some continuity in the future EU initiatives in the PFM field.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged 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 may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

All evaluations shall assess to what extent the action is taking into account the human rights based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

5.3 Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programs are no longer required to include a provision for communication and visibility actions promoting the programs concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

APPENDIX 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as:

Action level		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
Group of actions level		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action>
Contract level		
<input type="checkbox"/>	Single Contract 1	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 2	<foreseen individual legal commitment (or contract)>
	(...)	
<input type="checkbox"/>	Group of contracts 1	<foreseen individual legal commitment (or contract) 1> <foreseen individual legal commitment (or contract) 2> <foreseen individual legal commitment (or contract) #>