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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX II

of 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 Support to Regional Integration and Trade in Timor-Leste

ANNUAL

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans of Article 23 of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Support to Regional Integration and Trade in Timor-Leste OPSYS number: ACT-60848 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>)
2. Team Europe Initiative	No
3. Zone benefiting from the action	Timor-Leste (Asia)
4. Programming document	Multiannual Indicative Programme for Timor-Leste (2021-2027)
5. Link with relevant MIP(s) objectives / expected results	This action is included in Priority Area 1: Green and sustainable economic recovery and development. Specific objective 1.2, Support Timor-Leste's economic integration and trade in the South East Asia region. Expected result 1.2.1, Promote trade and regional integration
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Economic Integration and Trade
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 8 Other significant SDGs (up to 9) and where appropriate, targets: SDG 5 and SDG 17
8 a) DAC code(s)	Business and Other Services (DAC Code 250)
8 b) Main Delivery Channel	International Organisations - 40000
9. Involvement of multilateral partners	Yes

10. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
11. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @ digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity @ transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	(methodology for tagging under development)			
	Reduction of Inequalities (methodology for marker and tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
13. Amounts concerned	Budget line(s) (article, item): 14.020132 The Pacific Total estimated cost: EUR 3 million Total amount of EU budget contribution EUR 3 million			
MANAGEMENT AND IMPLEMENTATION				
14. Type of financing	Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.1.			

1.2 Summary of the Action

<p>The European Union approved the Multiannual Indicative Programme (MIP 2021-2027) benefiting the Democratic Republic of Timor-Leste to support economic development and poverty reduction. One of the actions to be implemented under Priority Area 1 of the MIP, which is integrated into the Annual Action Plan (AAP 2022), is to “Support Regional Integration and Trade” with a total budget of EUR 3 million.</p> <p>The Overall Objective of this Action is to support Timor-Leste’s economic integration and trade in the South East Asia region</p> <p>The Specific Objective of this Action is to promote trade and regional integration.</p> <p>The Expected Outputs of this Action that contribute to the above specific objective are:</p> <ul style="list-style-type: none"> • Output Area 1: Improved coordination and consultation mechanisms for preparation of the accession to the Association of Southeast Asian Nations and the ASEAN Economic Community (ASEAN/AEC), the World Trade Organisation (WTO) and the Economic Partnership Agreement (EPA), among government agencies, the Parliament, civil society and the private sector; • Output Area 2: Enhanced capacity of Timorese government agencies, the Parliament, civil society and private sector institutions in the negotiations, accession and implementation of the ASEAN/AEC, WTO and EPA agreements; and • Output Area 3: Increased public awareness of the opportunities and challenges arising from the negotiations, accession and implementation of the ASEAN/AEC, WTO and EPA, particularly with special assistance to the private sector, SMEs and women-led businesses
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2 RATIONALE

2.1 Context

<p>Timor-Leste is situated in Southeast Asia. It is one of the world’s youngest countries: Timor-Leste gained its independence in 2002. According to the World Bank, the country has about 1.3 million inhabitants, of whom 75% is below 35 years old, and many of these young people do not have jobs. The participation in the workforce is also unbalanced, with the large majority of women being involved in informal and unpaid labour¹. Timor-Leste is a poor country with GDP per capita at US\$1,381 in 2020 and 42% of the population still living in poverty. Over the past 10 years, due to its endowment of natural resources, particularly oil and gas, the Timorese economy has with an uneven pace. Agriculture plays an important role in the Timorese economy, employing more than 50% of its</p>
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¹ <https://iwda.org.au/timor-leste/>

population. Given the country's natural beauty and rich cultures, tourism is seen as a potential sector for future economic growth. However, Timor-Leste has a narrow export basket, as oil and gas exports constitute more than 90% of total exports. Timor-Leste only has a few non-oil products exported to other countries, such as coffee and vanilla. Main imports are capital goods which are required to rebuild the underdeveloped infrastructure of the country.

To further develop its economy and reduce poverty in the country, the Government of Timor-Leste seeks to better integrate its economy into the rest of the Southeast Asian region and with the rest of the world. It has applied to join the Association of South-East Asian Nations (ASEAN) and the World Trade Organization (WTO). It is also negotiating with the European Union (EU) to join the EU-Pacific Economic Partnership Agreement (EPA). Integration into ASEAN, WTO accession and joining the EU-Pacific EPA are political and economic objectives set down by the Government. They were key topics discussed at the Political Dialogue between the EU and Timor-Leste in January 2021 and there was a full-day discussion on these issues during the Development Partners Meeting of July 2021.

The European Union is a strong supporter of Timor-Leste's effort in regional integration and international trade, in support of a sustainable, green, inclusive economy and revenue generation. This effort 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 sense, the Multiannual Indicative Programme (MIP 2021-2027) has by main objective to support economic development and poverty reduction. Under Priority Area 1 (Green and Sustainable Economic Recovery and Development), the EU and Timorese partners have identified that one of the actions under the Annual Action Plan (AAP 2022) is to assist Timor-Leste in preparations for its integration into ASEAN, particularly through the fulfilment of the ASEAN Economic Community (AEC) pillar requirements, for accession to the WTO, and in negotiations for membership of the Economic Partnership Agreement (EPA). Therefore, EU has allocated EUR 3 million to support regional integration and trade development of Timor-Leste, particularly the preparation to the ASEAN WTO and the EPA accession and implementation.

ASEAN Membership Application - Since before the restoration of independence in 2002, Timor-Leste has pursued the goal of becoming a member of ASEAN and formally applied for membership on 4 March 2011. However, after more than 11 years, the ASEAN's ten existing members are still evaluating Timor-Leste's membership application. In accordance with the "consensus" principle, all ten existing members must agree to Timorese membership. In particular, since ASEAN is moving forward its internal integration process under three ASEAN Communities (i.e. Political and Security Community, Economic Community, and Social and Cultural Community), Timor-Leste will have to be in a position to integrate those ASEAN Communities, each of which entails a number of commitments and agreed ambitions. For example, under the ASEAN Economic Community (AEC) pillar, the ASEAN leaders envisage a single market and production base, with free flow of goods, services, investment, capital and labour allowing for the development of production networks in the region and the enhancement of ASEAN's capacity in the global supply chain. As a result, the members have negotiated and concluded the ASEAN Trade in Goods Agreement (ATIGA), ASEAN Trade in Services Agreement (ATISA), ASEAN Comprehensive Investment Agreement (ACIA), and other sectoral and thematic regional agreements in the areas of sectoral mutual recognition, e-commerce, the movement of natural persons, etc. ASEAN member states are also working together to harmonise their trade rules and practices in the areas of customs, standards, conformity assessment, and mutual recognition, etc. As a new applicant country, Timor-Leste will have to sign on and/or negotiate its terms and conditions with other members to participate in those trade and investment agreements as well as the harmonisation of its trade rules and practices with other members in order to become a full member. The ASEAN membership application have been led and coordinated by the Ministry of Foreign Affairs and Cooperation (MFAC) in Timor-Leste. An assessment of Timor-Leste's readiness to accede to ASEAN with a particular reference to the economic pillar is to be completed by the ASEAN Secretariat and Member States in July 2022. The economic fact finding mission will propose a roadmap with clear orientations and actions for the ASEAN accession that the country needs to prepare and follow to be accepted as member. This action will be focused on the Economic pillar of the ASEAN membership requirements that are also linked with the negotiations with WTO and EPA.

WTO Accession Negotiations – Timor-Leste attaches great importance to WTO accession in order to integrate into the world trading system. In November 2016, the Government submitted its application for accession to the WTO. The Working Party to examine Timor-Leste’s WTO membership was established in December 2016. As a first step in the accession process, the Government submitted its Memorandum of Foreign Trade Regime (MFTR) in June 2017 for review by other WTO members. As of today, two Working Party meetings have been held to review the MFTR and discuss the terms and conditions of accession. The Government has also made two initial market access offers on goods and services and started bilateral negotiations on tariffs and services with some WTO members. During the multilateral and bilateral WTO membership negotiations, the Government needs to conduct extensive consultations with the private sector and other stakeholders on the rights and obligations embedded in WTO membership. On the legislative front, Timor-Leste is required to update its laws and regulations through a Legislative Action Plan (LAP) which should bring legal and regulatory systems consistent with WTO principles, rules and practices and to submit translations of its draft and adopted WTO-related legislation to enable members to track its legislative reforms under the LAP. The WTO accession negotiations have been led by the Coordinating Ministry of Economic Affairs (CMEA).

EU Pacific EPA Negotiations – Timor-Leste informed the EU on 19 July 2020 of its intention to accede to the EU-Pacific EPA, to which Papua New Guinea, Fiji, the Solomon Island and Samoa are already signatories. As a signatory to the Cotonou Agreement, Timor-Leste is eligible to join, despite being in Southeast Asia. The EU-Pacific EPA was intended to make easier for the businesses and people from EU and the Pacific countries to invest in and trade with each other and to spur development across the Pacific. The EPA will continue to provide tariff- and quota-free access to the EU market once Timor-Leste graduates from Least Developed Country Status. The EU-Pacific EPA foresees asymmetric provisions in favour of Pacific countries, such as the exclusion of sensitive products from liberalisation, longer liberalisation periods, more flexible rules of origin, etc. In addition, there are also special safeguards and measures for agriculture, food security and infant industries. Under the EPA the Parties have reaffirmed their commitment to the respect for human rights, democratic principles, the rule of law and to good governance, which constitute essential and fundamental elements of the post-Cotonou Agreement, and to sustainable and equitable development, along with greater involvement of an active and organised civil society and the private sector, which, along with the market economy, are the main elements recognised in the post-Cotonou Agreement as contributing to achieving the objectives of the partnership. Both parties have initiated technical talks with the view to EPA accession, subject to the submission by Timor-Leste of a GATT 1994 Article XXIV compliant market access offer, to the EPA Parties for a decision. The Government of Timor-Leste is currently preparing an offer and is receiving support from the PRISE programme (Pacific Regional Integration Support Programme). The Ministry of Tourism, Commerce and Industry (MTCI) is leading and coordinating the EU-Pacific EPA negotiations for the country.

As a very small island and least developed country, Timor-Leste is facing enormous challenges in negotiating the above three major agreements at the same time. The conclusions of these agreement negotiations and accession and subsequent implementation of the commitments and obligations under the ASEAN (AEC), WTO and EPA will have huge impacts on the country and the people. As a result, this proposed Action is closely linked to the economic growth and sustainable development of Timor-Leste, particularly to its economic integration, trade and connectivity in the region and with the rest of the world. It will contribute directly to SDG 8 and underwrite the objective of the EU Strategy for Cooperation in the Indo-Pacific.

Timor-Leste has ratified most international human rights and ILO conventions, committing to uphold universal human rights obligations, norms and standards. Acknowledging that trade agreements can affect the enjoyment of human rights, including women’s rights, the Action will contribute to the promotion and protection of human rights and gender equality. It is aligned with the Gender Action Plan III and its intention to promote economic and social rights and empower girls and women.

2.2 Problem Analysis

Main Problems and Challenges:

Timor-Leste has determined to integrate its economy better into the Southeast Asia and with the world trading system. This is a non-partisan issue in Timorese politics, although the country had presidential elections in April 2022 and will have parliamentary elections next year. Membership of ASEAN, WTO and EPA is considered as a key element to diversify the economy that has the potential to contribute to the job creation and poverty reduction for the country. However, to complete the above three major accession and subsequently implement the

commitments made, the Government, the parliament, the private sector and civil society, and the whole country are facing many problems and challenges.

First, Timorese government negotiators, parliamentarians and civil society and private sector representatives do not have adequate trade knowledge and skills to effectively participate in the accession negotiations and understand the implications of integration into ASEAN, WTO and EPA. To conduct three parallel major accession negotiations, the country needs a good size of well-trained and skilled trade negotiators and advisors who have a full understanding of the issues, procedures and implications of the integration and accession to these agreements and organisations. Those agreements are highly technical in nature and full of specific rules and jargons. Some of Timorese trade negotiators have no technical knowledge and training on those negotiating issues and procedures. They are not familiar with the offering and counteroffering in the trade agreement negotiation process. Some of them do not even have a good command of English, which is one of the official languages of the WTO (other two official languages of the WTO are French and Spanish) and other trade agreement negotiations. English is also the working language of ASEAN.

Second, the country does not have the capacity to assess the impacts (both positive and negative) of those agreements on the country, its business, and the human rights of all people. The ASEAN membership, WTO accession and EPA negotiations will bring tremendous changes to the economy, business operation, and the lives of people. However, the government, the private sector as well as the academic and civil society organizations do not have the required capacity and skills to conduct economic, social and environmental impacts of those agreement negotiations on the country, including from a human rights and gender equality perspective. In particular, some of the businesses and people may be negatively affected by the implementation of these agreements and membership. The government is supposed to have the mitigating measures in place to make necessary adjustments or compensation to those negatively affected businesses and people to offset the negative impacts on their businesses and lives.

Third, the Parliament does not have the capacity to review and ratify agreements and adopt or amend the legislation required for the implementation of the commitments made during the agreement negotiations. During and after the agreement negotiations, other partners are expecting Timor-Leste to conduct the legislative reforms (through a Legislative Action Plan), to adopt or revise relevant laws in order to comply with the ASEAN/WTO/EPA rules and obligations. As a democratic country, the Parliament should review the agreements and memberships negotiated by the government negotiators, assess their impacts on the country, the economy and its people, and eventually adopt or revise relevant laws to implement the commitments made under those agreements. Therefore, those Parliamentarians, particularly those sitting in Committee D, responsible for the review and ratification of the negotiated trade agreements, should be equipped with the knowledge and skills to review those signed agreements and revise or adopt relevant laws accordingly. Relevant Parliamentarians, as well as these government negotiators/advisors and civil society and private sector representatives will need a lot of technical assistance and capacity building for these agreements and membership negotiations, accession and implementation.

Fourth, Timor-Leste does not have an adequate trade negotiation coordinating and consultation mechanism in place to formulate positions to negotiate the agreements to benefit their businesses and the people. These agreements cover the entire economy and all sectors. Trade agreement negotiations, which primarily focus on market access on goods and services, trade and investment rules, and domestic reforms for compliance, are a take-and-give exercise. As a result, the leading negotiating ministries (MFAC, CMEA, and MTCI) should adopt the “whole-government” or even the “whole-country” approach to coordinate with other line government ministries/agencies, the Parliament, civil society representing rights-holders, private sector, and other interested parties to formulate negotiating positions in the process. In particular, the three major agreement and membership negotiations under ASEAN, WTO and EPA are overlapping, and negotiators and advisors will have to synchronize and coordinate their positions on many negotiating issues with various stakeholders and interested parties all together to advance the negotiations and implementation for the best interest of the country and the people.

Last but most important, the private sector and civil society organisations do not have the required knowledge and information to actively provide inputs to government in the negotiation process. The public awareness of the trade agreement negotiations and implementation as well as accession to ASEAN, is very low, including the private sector businesses. Government does not really trade but private sector companies do. Government representatives are negotiating these agreements on behalf of the private sector. Therefore, the private sector, including women-led businesses, should be invited to actively provide inputs on various negotiating topics/issues to government delegates to strike a better deal for the private sector businesses. After the conclusions of negotiations, private

sector companies will have to implement trade commitments and obligations. They will also need to understand the specific benefits of these agreements to avail of the emerging opportunities that have been brought. For a few specific sectors and a segment of the society, these agreements may have a negative impact on them, from their access to basic goods and services to their working conditions. There is also a risk of some groups being excluded from the benefits of the agreements. As a result, the voices of these different groups should be heard, and their rights should be protected. In particular, special attention should be paid to those vulnerable sectors, women and men involved in vulnerable work, low-income households and individuals, women-led businesses, green and sustainable businesses, and youth and other ethnic groups, etc.

These are the immediate challenges which Timorese stakeholders are facing in the negotiations of the three major agreements. To implement the commitments, and fully comply with the rules and obligations of ASEAN, WTO and EPA, Timor-Leste will have more challenges down the road. Both government and development partners should be prepared to build the long-term trade-related capacity for the country. The Strategic Development Plan (2011-2030) of Government of Timor-Leste outlines the overall goal is to transfer Timor-Leste to an upper-middle income country by 2030 through a diversified economy and productive human capital. The full membership of the ASEAN, WTO and EPA will be the cornerstone to achieve that goal.

However, the country is currently facing enormous challenges such as persistent structural changes, highly dependent on oil and gas revenue, a small scale of economy, non-competitive production and services sectors, low private sector investment, poor business and investment environment, inadequate quality infrastructure, poor transport, communication and digital connectivity, unskilled labour force, high unemployment rate (particularly for youth and women), poor language skills (both Portuguese and English), and huge negative economic and social impacts of COVID-19 on the country – just name a few. These and other challenges will have long-term impact on the implementation of those agreements, as well as on the achievement of the goal to become an upper-middle income country by 2030.

Key Stakeholders:

To complete these agreements and implement the commitments and obligations made, it is necessary to mobilize those key stakeholders to get actively engaged in the negotiation and accession processes. In the meantime, the Government should have a strategic action plan and roadmap to implement the commitments and obligations subsequently, and more importantly, work with various stakeholders in both public and private sectors to avail of those emerging opportunities and build a diversified economy and more productive human capital for the country.

The key stakeholders of agreement negotiations and implementation include various government agencies, the Parliament, and private sector institutions and civil society organisations.

Currently, three key **Government Ministries** are responsible for the coordination of the agreement negotiations and membership. The Ministry of Foreign Affairs and Cooperation (MFAC) is coordinating the ASEAN membership application, including the ATIGA, ATISA and other ASEAN trade and investment agreements; the Coordinating Ministry for Economic Affairs (CMEA) is coordinating the WTO accession, while the Ministry of Tourism, Commerce and Industry (MTCI) is coordinating the EPA negotiations. The MTCI is also responsible for the export quality infrastructure, including standards, conformity assessment, inspection, accreditation, calibration, and other technical trade matters.

At the first sight, the division of the coordination responsibilities for the three agreement negotiations and membership among the government ministries can be seen as a good idea to reduce the heavy workload if one government ministry is assigned to take on the negotiating responsibility for the agreements. However, the agreement negotiations in place are closely linked and overlapping. The ministries involved will have to ensure close coordination among themselves and also coordinate with other line ministries/agencies and the private sector. Other government stakeholders include the Ministry of Agriculture and Fisheries, responsible for agricultural trade negotiations, including tariffs for agricultural products, tariff quotas, export subsidies, domestic support, food safety/SPS, and fishery subsidies; the Ministry of Finance, particularly the Customs Authority, responsible for the tariff negotiations and trade facilitation measures; TradeInvest of Timor-Leste (TITL), as the trade and investment promotion organization under the Government of Timor-Leste. Other stakeholders in these agreement negotiations are various line ministries responsible the services sectors, such as financial services, telecommunications, transport, tourism, environment, health and education. They should be coordinated and consulted for the WTO and ATISA negotiations.

The **Parliament** is also an important stakeholder in the agreements and accession negotiations and implementation. During the processes, the Parliament should work with the government to prepare a Legislative Action Plan to anticipate the changes of laws and regulations once Timor-Leste joins the WTO and ASEAN. After the conclusions of the negotiations, the Parliament is expected to review the agreements and ratify them for implementation. The Parliament is also expected to work with the government to revise or adopt the laws and prepare the regulations to comply with the ASEAN/WTO/EPA rules and commitments.

The **private sector companies** and the people of Timor-Leste are the ultimate beneficiaries and stakeholders of the agreements. Government should work with the private sector institutions, including women-led businesses, to obtain their inputs in the negotiation process and to inform them of the progress, and finally the private sector should benefit from the increased trade and investment opportunities brought by these agreements. In the meantime, the private sector should work with the government and parliament to implement the commitments and obligations under the agreements that imply their active participation and involvement. The Chamber of Commerce and Industry of Timor-Leste (CCI-TL), Business Association of Women of Timor-Leste and other sectoral business associations are key stakeholders from the private sector.

In addition, these agreement implementation will have huge economic, social and environmental impacts on the country and the lives of the people. Therefore, some **civil society groups and non-governmental organisations** are important stakeholders as well. These include the women and youth, environmental groups, consumer and human rights groups or organisations, etc. Their views and opinions should be also taken into consideration during the agreement negotiations and implementation. They have rights to participate in the process, know the impacts on their businesses and lives, and eventually work with the government and other stakeholders to implement/monitor the commitments. As the first step, it is important to increase the public awareness and inform those stakeholders of the status and progress of ASEAN/WTO/EPA negotiations and invite them to contribute to the processes.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective** of this Action is to support Timor-Leste's economic integration and trade in the South East Asia region.

The **Specific Objective** of this Action is to promote trade and regional integration.

The **Expected Outputs** of this Action that contribute to the above overall and specific objective are:

- Outputs Area 1: Improved coordination and consultation mechanisms for preparation of the accession to the Association of Southeast Asian Nations and the ASEAN Economic Community (ASEAN/AEC), the World Trade Organisation (WTO) and the Economic Partnership Agreement (EPA), among government agencies, the Parliament, civil society and the private sector;
- Outputs Area 2: Enhanced capacity of government agencies, the Parliament, civil society and private sector institutions in the negotiations, accession and implementation of ASEAN/AEC, WTO and EPA agreements, and
- Outputs Area 3: Increased public awareness of the opportunities and challenges arising from the negotiations, accession and implementation of the ASEAN/AEC, WTO and EPA, particularly with special assistance to the private sector, MSMEs and women-led businesses.

3.2 Indicative Activities

To support Timor-Leste's priority to develop and diversify its economy by increasing its integration within the Southeast Asian region and to the multilateral trading system, the proposed Action will provide technical assistance and capacity building to Timor-Leste in the process of acceding to the ASEAN and WTO respectively, and to the negotiations of the Pacific EPA with the EU. The Action will have the **indicative activities** in the following three Outputs areas:

Activities Related to Outputs Area 1: Improved coordination and consultation mechanisms for preparation of the accession to the Association of Southeast Asian Nations and the ASEAN Economic Community

(ASEAN/AEC), the World Trade Organisation (WTO) and the Economic Partnership Agreement (EPA), among government agencies, the Parliament, civil society and the private sector.

Target audience: trade negotiators, policy/law makers and implementers (Ministerial/government agencies officers, regulators, and Parliamentarians), business association representatives. The involvement of the respective cohort and the depth of support will be adjusted as per the needs and respective roles in the agreements negotiation processes.

- **Activity 1.1** – Undertake an **assessment of the existing coordination/consultation mechanism** and provide **recommendations to strengthen** the system.
- **Activity 1.2** - Develop a **mapping with the role and responsibilities** of entities involved in regional integration processes.
- **Activity 1.3** – Support the organisation of **regular meetings of representations of the inter-agency coordination**.
- **Activity 1.4** – Establish/enhance an **inter-ministerial coordination system** between the government agencies responsible for each accession, to ensure that the agreement negotiation strategies are coherent.
- **Activity 1.5** – Undertake **capacity building sessions to provide insights into ensuring inter-agency coordination** with a special focus on including civil society and the private sector. These sessions will also expose stakeholders to international best practices when it comes to undertaking coordination.
- **Activity 1.6** – Undertake regular **Public Private Dialogues (PPDs)** to ensure that interests of the private sector, civil society and other interested parties are accounted for in the negotiating positions.

Activities Related to Outputs Area 2: Enhanced capacity of Timorese government agencies, the Parliament, civil society and private sector institutions in the negotiations and implementation of ASEAN, WTO and EPA agreements.

Target audience: trade negotiators, policy/law makers and implementers (Ministerial/government agencies officers, regulators, Parliamentarians and civil society and private sector representatives). The involvement of the respective cohort and the depth of support will be adjusted as per the needs and respective roles in the trade agreement negotiation processes.

- **Activity 2.1:** Inform and review **the required documents/negotiating positions** for the processes of accessions to WTO (e.g. draft working party report, revised legislative action plan and schedules on goods and services), ASEAN (e.g. schedules on goods and services as per ATIGA and ATISA requirements) and EU-Pacific EPA (e.g. market access offer on goods).
- **Activity 2.2:** Provide **evidence-based studies and advisory services in support of the ongoing processes** on different tracks (multilateral, plurilateral/regional and bilateral) to undertake accession-related trade policy and impact studies (including human rights impact assessments and gender analysis) and policy/regulatory assessments on relevant topics – based on demand – such as preferential treatment for LDCs (stemming from the multilateral, ASEAN, EU level), regulatory impact of LDCs status graduation, agricultural and non-agricultural market access commitments, trade in services, etc.
- **Activity 2.3:** Provide **training and capacity-building on trade policy/regulatory formulation, implementation and negotiations** on accessions related issues (e.g. tariff concessions, agriculture, SPS and TBT, rules of origin, trade in services, investments, trade facilitation, green trade, sustainable and inclusive trade and trade negotiating skills).
- **Activity 2.4:** Provide assistance **to undertake domestic reforms** in line with WTO, ASEAN, EU Pacific EPA commitments by drafting new legislations and reviewing/updating existing legislations including through regulatory assessments.
- **Activity 2.5:** **Share experiences from countries** successfully acceded to WTO, ASEAN and EU Pacific EPA on procedural and substantial related issues and/or conduct study visits to Geneva on WTO and FTA negotiations and implementation, particularly from the acceding country and LDC perspectives.

Activities Related to Outputs Area 3: Increased public awareness of the opportunities and challenges arising from the negotiations, accession and implementation of ASEAN/AEC, WTO and EPA, particularly with special assistance to the private sector, MSMEs and women-led businesses.

Target audience: trade negotiators, policy/law makers and implementers, private sector representatives, civil society organizations, academics and researchers, media, and other interested parties. The involvement of the respective cohort and the depth of support will be adjusted as per the needs and respective roles in the trade agreement negotiation processes.

- **Activity 3.1** – Organise **awareness raising events and workshops** related to WTO, ASEAN and EU Pacific EPA negotiations and accession, both in the capital and in the regions of Timor-Leste.
- **Activity 3.2** – Undertake **a mapping of business organisations**, including women owned associations, workers organisations and human rights organisations, **to analyze their capacity to contribute to the agreements negotiations and to the domestic and legislative reforms** associated with the WTO, ASEAN and EU-EPA negotiations and accession and to **undertake capacity building** workshops based on the mapping.
- **Activity 3.3** – Undertake **workshops on business advocacy and provide support to develop position papers** to the private sector to be able to contribute to ongoing agreement negotiations.
- **Activity 3.4** – Draft **explanatory guides on trade policy/regulatory related areas** targeted for business organisations, Parliament, civil society and other stakeholders (ASEAN, WTO, EU Pacific EPA, EU EBA, EU GSP, sector specific, topic specific (e.g. ROO), etc.)
- **Activity 3.5** – Develop **special broadcast of videos and interviews of experts in local media channels** (TV channels, radio stations, newspapers, social media, etc.) to raise public awareness on trade policy matters, accession negotiations and their implications.
- **Activity 3.6** – Identify the **increased green and sustainable export and investment opportunities of ASEAN, WTO and EU-EPA, specifically for women, youth and rural communities.**

3.3 Mainstreaming

Environmental Protection & Climate Change

Increased international trade may have certain negative or positive impacts on environment and climate change. On the one hand, more trade and investment activities can put more pressure on the environment (land, air, water, coastal area, fisheries, etc.) and cause the climate change. On the other hand, with the revenue and income generated from the increased trade and investment, the Government of Timor-Leste may have more financial resources to tackle the environmental problems. Overall, the memberships in ASEAN and WTO and the negotiations of EU-EPA will improve the trade and investment environment, and it is not expected to generate substantial trade and investment flow immediately. Therefore, the Strategic Environment Assessment (SEA), Environmental Impact Assessment (EIA), and the Climate Risk Assessment (CRA) shall not apply to the proposed Action.

In addition, there are some provisions embodied in WTO and ASEAN agreements to protect the environment. There is also a linkage between international trade agreements (such as WTO) and multilateral environmental agreements. The EPA also requires Timor-Leste to comply with some conditions on environmental standards and other social and labour conditions. Therefore, the proposed Action will not generate negative environmental impacts and will create awareness and suggest proposals to generate more green and circular business.

Gender equality and empowerment of women and girls

Both the EU and Timor-Leste attach great importance to gender equality and empowerment of women and girls. The proposed Action focuses on technical assistance and capacity building for the preparation of agreement negotiations and accession to ASEAN, WTO and EPA, and will contribute to increasing the participation of women's and women's organisations in the process. With the memberships in those major agreements, it is expected that Timor-Leste will eventually increase its international trade and investment and generate more job opportunities for both men and women. In particular, women are traditionally employed in the sectors such as agriculture, aquaculture, tourism and other labour-intensive industries. These sectors are expected to have more job opportunities after Timor-Leste joins the ASEAN, WTO and EPA.

The proposed Action also intends to raise public awareness and understanding of the benefits and challenges of memberships in ASEAN, WTO and EPA. Women-led businesses and/or business associations will be the target for the training and information sharing under the project. It is important to build the capacity and advocacy skills of women to ensure that domestic regulatory framework and the business environment stemming from these agreement negotiations are conducive for this cohort to protect their rights as consumers, workers and entrepreneurs, and to increase job opportunities for women as well as other people in disadvantaged situations in the society.

In this sense, and as per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action will target gender equality as a specific objective. The action will contribute to the

implementation of the Gender Action Plan III, and, particularly, to its thematic area of engagement “Promoting economic and social rights and empowering girls and women”. Sex-disaggregated data and gender-sensitive indicators will be privileged.

Human Rights and Governance

The ASEAN, WTO and EPA are part of international trading system based on agreed rules and strict procedures. They are also balanced by rights and obligations of their members. All international trade agreements respect human rights and other international labour conditions. After joining ASEAN, WTO and EPA, Timor-Leste is expected to follow trade and investment rules of those agreements to conduct international businesses with other countries. There will be no child labour and forced labour in international trade. Human rights will be well respected, including those for women, and indigenous people.

These international agreements are governed by the principles, rules and protocols agreed upon by its members. Timor-Leste is expected to become an official member to those agreements governed by international rules. The overall governance of the country is expected to be improved under those agreements. The support provided under the Action intends to inform the negotiating positions and the domestic regulatory reform through inclusive consultation and evidence-based studies which will foster good economic governance. Policy makers will be better equipped to undertake the balancing act between all interests at stake.

The intervention will address human rights issues, in particular core labour standards, through the interventions proposed aiming at creating sustainable and decent jobs and economic and social rights. The Action will promote commitments to core international human rights and labour rights conventions. The Action will encourage the active and meaningful participation of civil society organisations and human rights organisations.

Conflict sensitivity, peace and resilience

The WTO accession and ASEAN integration can impact a large number of areas of the economy. This is a policy decision to enter into the discipline of a rules-based, open and integrated trading system. The memberships in the WTO and ASEAN send a clear signal to trade partners and investors about a country's commitment to an open economy and deeper integration into a regional and global economy, which consequently encourages the increase in trade and inflow of foreign investment. The increase in trade and investment has, in turn, the potential to foster economic growth and diversification, job creation and sustainable development that promotes peace and strengthens economic resilience for the country.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood	Impact	Mitigating measures
External environment	Delayed ASEAN membership could reduce the interest of Government of Timor-Leste to pursue reforms required to integrate into the region.	Medium	High	To provide support for the ASEAN accession without interfering the rights of existing members in order to admit Timor-Leste
	Lack of political will/support from stakeholders to address changes required for Accession to the WTO/ASEAN and/or EPA negotiations	Medium	High	The Action will include consultations with the stakeholders to ensure their support during the Accession processes. Benefits stemming from the accession processes and experiences of recently acceded countries will be promoted.

Planning, process and systems	Government of Timor-Leste miscalculated the resources needed for the memberships of ASEAN, WTO and EPA	Low	Medium	To support the Government of Timor-Leste in its assessments of the needs and priorities for the ASEAN, WTO and EPA accession, negotiations and implementation
Coordination, Communication, and information	Government of Timor-Leste is not equipped to coordinate and communicate the information to other stakeholders	Medium	High	To provide technical assistance and capacity building to strengthen the coordination and consultation mechanisms to communicate the ASEAN, WTO and EPA negotiating and accession status and issues to other stakeholders, particularly with civil society and the private sector groups
	Lack of technical capacity and fragmentation of the private sector and civil society representing rights-holders to engage constructively.	Medium	Medium	The Action will foster consultation, consensus building as well as awareness raising among the private sector and civil society about the accession processes and its attendant policy and regulatory reforms.

Lessons Learnt

Trade agreement negotiations are an important undertaking for all countries. Trade negotiations are a take-and-give exercise. There are some lessons learned from the past experiences.

First, Timor-Leste should have a strategic plan with short-term, medium-term and long-term goals for the agreements negotiations and implementation. These agreements will bring enormous impacts on the country and its people. For the short-term needs and priorities (1-3 years), which this Action aims to address, it is crucial to build the negotiation capacity, to coordinate with various stakeholders, and to adopt the “whole-government” or “whole-country” approach to actively participate in these agreement accession and/or negotiations.

Timor-Leste has entered three parallel agreement negotiations under ASEAN, WTO and EPA. Most of the trade negotiators and advisors are negotiating by learning at the same time. It is important to strengthen their negotiation skills immediately, to conduct the impact studies, and to assess the offers and counteroffers on the negotiating tables. They will have to coordinate with other line ministries/agencies and the private sector and civil society organisations for their negotiating positions. These are the immediate needs and priorities for those agreement negotiations.

For the medium-term needs (3-5 years), Timor-Leste will have to take into consideration the implementation efforts required after these agreements are concluded. Many laws and regulations need to be adopted and revised, and the private sector companies need to be mobilized to take the advantage of the agreements. The Government may provide specific support to the targeted industries and sectors for export and investment promotion under the new trading environment.

For the long-term needs (5-10 years), the country should train the next generation of trade specialists and build the institutional trade-related capacities in the government agencies, private sector groups, civil society and academic/educational institutions in order to become a real trading nation in Southeast Asia. Like-minded development partners should provide their technical assistance and capacity building to help Timor-Leste achieve its short-term, medium-term and long-term goals.

With the current proposed Action, it is crucial, for the three key responsible ministries (MFAC, CMEA and MTCI), to coordinate with other line ministries/agencies and the private sector and build their trade negotiating capacities along with other key stakeholders. The participating ministries and agencies should be willing to share the information of the negotiations with other stakeholders. In particular, government negotiators should keep the private sector, civil society and other stakeholders informed of the status and progress of these agreement negotiations and accession,

regularly and frequently, through an established coordination/consultation mechanism to ensure transparency and accountability.

It takes a lot of efforts to build the trade-related capacity of a country. As a least-developed country, many development partners are encouraged to provide trade-related assistance to Timor-Leste. They should do more to build the medium and long-term trade capacity. It is not enough to rely on the international or regional consultants/experts to do the work through various projects funded by donors. Timorese trade negotiators, policy makers, Parliamentarians and civil society and private sector representatives need to be fully engaged in those project activities in order to build their own trade-related skills and knowledge. In the end, only those expertise and capacities built in the country will sustain and contribute to long-term trade capacity building for the country.

Other specific lessons learned include:

- The gains from WTO Accession depend on the extent and scope of a country's commitments. It is important to take a strategic approach for well-articulated negotiations that create a growth conducive environment. Evidence shows that WTO Members with commitments across a larger range of services sectors have integrated more deeply into global value chains, partly due to the intensification of services in global value chains, including those for manufactured goods. Furthermore, accession-related reductions in trade barriers and improvements in the business climate have helped enable developing countries achieve deeper levels of integration into global value chains.
- The gains to be made from WTO Accession are also conditional upon domestic reforms. Unless Timor-Leste undertakes domestic reforms, it is unlikely to reap the full benefits of WTO Accession. Furthermore, a continuing reform process is likely to lead to substantial benefits. In other words, while Timor-Leste can enjoy part of the benefits from its implementation of WTO commitments, it can further enhance the gains by, at its own will, undertaking domestic reforms to create a conducive business environment.
- WTO Accession is likely to have a positive impact on Timor-Leste's economy, in terms of growth, exports, and investment. These positive impacts are largely driven by improved access to foreign markets, technology transfer, business linkages with foreign investors, and institutional reforms and improvement of the policymaking sphere, including economic management. However, not all sectors of the economy and the population may benefit from the WTO Accession and, as such, it is important to undertake mitigation measures to limit the impact of any negative effects.
- Timor-Leste will need to ensure that negotiations are conducted according to their domestic development needs and objectives, and that the country's private sector is prepared for the reforms. Therefore, the country needs to establish trade objectives based on private sector competitiveness, negotiate policy space to cushion the blow of important competition in sensitive, labour-intensive sectors, and build the political and economic case for reforms while ensuring coherence between existing and emerging regional commitments.
- Capacities and thus expectations of local stakeholders (associations, farmers groups, consumer organisations, NGOs etc.) need to be well integrated in order not to cause frustration at an early stage of the reform process.

3.5 The Intervention Logic

The underlying intervention logic for this action is to support the trade capacity building and the integration of Timor-Leste into the regional and global trade systems (SDG 8). More specifically, the Action will assist Timor-Leste to economically integrate itself into the Southeast region and prepare for a possible ASEAN membership, to assist Timor-Leste in the accession negotiations to the World Trade Organization (WTO), and to help Timor-Leste undergo the EU-Pacific Economic Partnership Agreement (EPA) negotiations. These agreements under ASEAN, WTO and EPA will have fundamental impacts on Timor-Leste's future economic and trade relations with the existing ASEAN member states and with the rest of the world, as well as on the business operation and people's lives in the country.

This will be done in an integrated and coordinated way to make sure that there are no duplication of support and actions from different donors. The activities conducted in the project will be demand driven and should comply with the needs and requirements of regional integration of Timor-Leste in the organisations and agreements mentioned before.

Output Area 1 “**Coordination**” will contribute to improve the coordination and consultation mechanism on the negotiations, accession and implementation of the ASEAN/AEC, WTO and EPA among government agencies, the Parliament, civil society and the private sector. This action is crucial to make sure that there is a clear understanding of the role and responsibilities of each entity in the implementation of the roadmap for the regional integration in the different organisations and agreements.

Output 1 will identify the training and capacity building priorities to be supported under Output Area 2 “**Capacity Building**”. The capacity of Timorese government agencies, the Parliament, civil society and private sector institutions in the negotiations and accession to ASEAN, WTO and EPA will be enhanced and the trade negotiators, policy/law makers and implementers (Ministerial/government agencies officers, regulators, Parliamentarians and private sector and civil society representatives) will have their competences increased with the implementation of the activities under this component.

Finally, the Output Area 3 “**Awareness Creation**” of trade negotiators, policy/law makers and implementers, private sector representatives, civil society organizations, academics and researchers, media, and other interested parties will be a crucial component to explain the implications of the integration into ASEAN, WTO and EPA. Challenges and opportunities will be identified and explained to all the organisations involved on the process with special assistance to the private sector, SMEs and women-led businesses.

The different components will be directed to all the target audience of the project. This will allow an appropriation of the project and a better understanding of the Government, Parliament and Private Sector and Civil Society regarding the accession implications. The involvement and participation of the project beneficiaries needs to be fostered to improve their capacity and competences.

3.6 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 - Main Expected Results	Indicators	Baseline (2022)	Targets (2026)	Source of Data
Impact (Overall Objective)	Support Timor-Leste's economic integration and trade in the South East Asia region	1. GDP per capita (2022)	To be added	To be added	1. Government Statistics World Bank/ADB statistics
		2. Percentage change in non-oil GDP growth rate	To be added	To be added	2. Government Statistics World Bank/WTO/ITC Statistics
Outcomes (Specific Objectives)	Trade and regional integration promoted	1.1. Number of processes related to partner country's practices on trade, investment in business or promoting the external dimension of EU external services that have been influenced (GERF 1.15)	0	3	WTO accession roadmap/reports from the WTO Secretariat Progress or completion of ATIGA, ATISA and CFIA negotiations for Timor-Leste's accession to ASEAN (ASEAN Secretariat) DG Trade, EPA Progress reports and PIFS: Progress reports on the Pacific EPA negotiations
		1.2. Amount and share of EU Funded external assistance contributing to Aid for Trade to LDC's (GERF 3.4)	0	3 million EUR	ODA
Output 1	1. Improved coordination and consultation mechanisms for	1.1.1. One (1) assessment conducted to report the existing trade negotiation coordination and consultation with recommendations	0	1	Project progress reports

	preparation of the accession to the Association of Southeast Asian Nations and the ASEAN Economic Community (ASEAN/AEC), the World Trade Organisation (WTO) and the Economic Partnership Agreement (EPA), among government agencies, the Parliament, civil society and the private sector.	for an effective trade coordination and consultation mechanism			
		1.1.2. Number of inter-agency coordination meetings undertaken to inform ongoing WTO/ASEAN/EU Pacific EPA negotiations and accession	0	12	Project progress reports
		1.1.3. Number of public-private sector consultation meetings conducted to inform ongoing WTO/ASEAN/EU Pacific EPA negotiation and accession (including civil society organisations)	0	9	Project progress reports
		1.1.4. Number of participants at the inter-agency and public-private sector coordination/consultation meetings (sex, age and function disaggregated)	0	Inter-Agency coordination: 100 (female: 40; young: 40) Public-private sector consultation: 200 (female: 80; young: 80)	Project progress reports
Output 2	2. Enhanced capacity of Timorese government agencies, the Parliament, civil society and private sector institutions in the negotiations and implementation of ASEAN, WTO and EPA agreements	2.1.1. Number of recommendations to inform the preparation of the documents/negotiating positions for the WTO/ASEAN/EU Pacific EPA accession process produced	0	20	Project progress reports WTO reports ASEAN reports EU-EPA reports
		2.1.2. Number of evidence-based studies/regulatory assessments undertaken to support negotiations/regulatory reform (including human rights impact assessments, gender analysis and environment related)	0	5	Project progress reports WTO reports ASEAN reports EU-EPA reports
		2.1.3. Proportion of officials involved in the negotiations reporting usefulness of	0	75	Project progress reports

		advisory/technical support for the negotiations (sex, age and function disaggregated)			
		2.1.4. Number of supported regulations and legislations developed or amended	1	15-20	Official government publications and expert analysis
		2.1.5 Number of public officials trained in relevant trade topics who can demonstrate an increased knowledge (disaggregated by sex, age, work sector and other relevant groups)	0	Workshops: 200 (female: 80; young: 80) Study visits: 20 (female: 8; young: 8)	Project progress reports
Output 3	3. Increased public awareness of the opportunities and challenges arising from the negotiations, accession and implementation negotiations and implementation of the ASEAN/AEC, WTO and EPA, particularly with special assistance to the private sector, SMEs and women-led businesses.	3.1.1. Number of capacity building/awareness raising sessions undertaken, disaggregated by topics (including environment and gender)	0	12	Project progress reports
		3.1.2. Number of participants at awareness raising sessions (sex, age and function disaggregated)	0	500 (female: 200; young: 200)	Project progress reports
		3.1.3. Number of explanatory guides/position papers developed to increase participation of stakeholders in the WTO/ASEAN/EPA negotiations and accession	0	2-5	Project progress reports
		3.1.4. Number of communication outreach material produced to increase awareness on ASEAN/WTO/ EPA negotiation processes	0	10	Project progress reports

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order 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 **54 months** from the date of entry into force of the financing agreement.

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

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.²

4.3.1 Indirect Management with a pillar assessed entity

This action may be implemented in indirect management with an entity(ies), which will be selected by the Commission's services using the following criteria:

- Specialisation in providing trade-related technical assistance and having all the expertise required for the delivery of the results expected under this project.
- Specific expertise in the sectors covered by this action and capability to ensure coordination with other Organisations dealing with these topics.
- Focus on expanding trade opportunities with the aim of fostering sustainable development and strong experience in delivering gender and inclusiveness trade programmes.
- Proven experience operating coherently at all levels from trade policy to practice and strong track record of connecting the public and private sectors.
- Capability to offer integrated solutions combining institutional, managerial and entrepreneurial capacities simultaneously at government, institutional and enterprise levels.
- Experience with other programmes in the ASEAN region.

The implementation by this entity entails stronger results on all objectives and outputs of this action.

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

In case, due to circumstances outside of the Commission's control, it is not possible to implement the action in indirect management with a pillar-assessed entity described under section 4.4.1, the alternative implementation modality will be direct management (procurement).

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

² 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.

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).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4	
All outputs	2,920,000.00
Indirect management with a pillar assessed entity	2,920,000.00
Evaluation – cf. section 5.2	80,000.00
Audit – cf. section 5.3	
Contingencies	0
Totals	3,000,000.00
Totals	3,000,000.00

4.6 Organisational Set-up and Responsibilities

The governance of the proposed Action will be assumed by a Project Steering Committee (PSC), which will be composed of senior representatives of all the Ministries involved in the regional integration process and other relevant stakeholders, including business associations. EU Member States or other donors may be invited. Representatives from private sector business associations and women and youth groups may also be invited to join the PSC meetings. The PSC will be co-chaired by the MFAC and the EU Delegation. The involvement of MFAC in the PSC will ensure the strategic guidance to the project, while facilitating the coordination and communication among all the stakeholders from both public and private sectors.

The PSC will provide strategic direction and oversight of the project implementation. The PSC will meet every six months to review the progress and performance of the Action and approve the workplans and progress reports. The implementing partner will serve as the Secretariat to the PSC meetings.

The Implementing Partner will recruit a Project Coordinator who will lead the project implementation in the field. Eventually 2-3 local staff should be recruited to support the Project Coordinator to deliver the project activities under the Action. In that case, a separate office may be necessary if the MFAC cannot accommodate the project team. The Project Coordinator and her/his team will assume day-to-day coordination, information sharing and communications with the key stakeholders. It will serve as the focal point of the project, linking with the Implementing Partner headquarters. The Implementing partners will appoint a Project Manager in the Headquarters to implement the project in close cooperation with the project team in the field.

Detailed terms of reference (TORs) of the PSC and the Project Coordinator shall be further developed by the implementing partner in full consultation with EU Delegation and Timorese partners.

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 partner's responsibilities. To this aim, the implementing partner shall

establish a permanent internal technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

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).

Initial indicators and baseline and target data are included in the logical framework matrix. The implementing entity is advised to set up an internal Project Implementation Monitoring System (PIMS) to monitor and report the progress and performance of the project during the entire span of the project implementation. At the outset, the implementing entity will review the indicators and modify the baseline and target data during the inception phase of the project (first three months of project implementation). Then, a Performance Measurement Framework (PMF) will be set up during the inception phase. This PMF will include the annual workplans and semi-annual reporting processes that will capture the results achieved and lessons learned. Progress reports should be prepared and submitted to the PSC two weeks prior to the PSC meetings. Each progress report should provide an accurate account of activities implemented, results (outputs and outcome) achieved, difficulties encountered, and mitigating measures adopted. The results (outputs and outcomes) should be measured by the corresponding indicators used in the logframe.

Performance indicators, as per the logframe of the project will be monitored and reported on in each progress report along with the PIMS. The local office of the implementing entity is responsible for the collection of the data and reporting of the results. Key stakeholders should be actively encouraged to participate in the data collection and results reporting exercise. The implementing entity should monitor the project progress, performance and results through its internal PIMS on a continuing basis.

Indicators shall also 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.

5.2 Evaluation

Having regard to the importance of the action, a final evaluation may be carried out for this action via independent consultants contracted by the Commission.

The final evaluation would be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that at the end of the project implementation, the Government of Timor-Leste and the private sector will be starting to implement the commitments and obligations of the agreements under ASEAN, WTO and EPA if the negotiations have been concluded. In that case, it will provide an opportunity for EU to assess the situation to see whether a follow-up trade programme may be needed to support the implementation of the commitments and obligations of the trade agreements and promote the domestic reforms to further integrate the country into the regional and global trading systems.

The Commission shall inform the implementing partner at least two 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 considering 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 programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes 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 Intervention³ (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) #>

³ [Ares\(2021\)4450449](#) - For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including ‘action’ and ‘Intervention’ where an ‘action’ is the content (or part of the content) of a Commission Financing Decision and ‘Intervention’ is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground.