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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

to the Commission Implementing Decision on the financing of the annual action plan in favour of Timor Leste for 2023

**Action Document for “Agroforestry for 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**

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	Agroforestry for Timor Leste OPSYS number: ACT-61977 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Timor Leste
<b>4. Programming document</b>	Multiannual Indicative Programme for Timor Leste for the period 2021-2027 <sup>1</sup>
<b>5. Link with relevant MIP(s) objectives / expected results</b>	MIP Priority area 1: Green and sustainable economic recovery and development: Specific objective 1.3: Promote green development, renewable energy and climate action in Timor Leste.  In particular: <ul style="list-style-type: none"> <li>• Result 1.3.1 Support the conservation and sustainable management and use of natural resources, biodiversity and ecosystems;</li> <li>• Result 1.3.3 Implement the 2030 Agenda and the Paris Climate Change Agreement through coordinated and coherent action that promotes resilience, reduces climate risk, and contributes to reduce greenhouse gas emissions.</li> </ul>
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Agriculture, forestry, fishing (310)
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG: SDG 15 Life on land (mainly 15.1, 15.2 and 15.3)  Other significant SDGs and targets: SDG 1 No poverty (1.2, 1.4, 1.5), SDG 2 Zero hunger (2.3, 2.4), SDG 5 Gender equality (5.1, 5.5), SDG 12 Responsible

<sup>1</sup> C(2021)9071 of 14.12.2021.

	consumption and production patterns (12.2), SDG 13 Climate action (13.1, 13.2, 13.3).			
<b>8 a) DAC code(s)</b>	DAC code 418 Environment (20%) in particular 41081 (Environment education / training) DAC code 311 Agriculture (40%) in particular 31120 (Agricultural development) DAC code 312 Forestry (40%) in particular 31220 (Forestry development)			
<b>8 b) Main Delivery Channel</b>	20000 - Non-Governmental Organisation (NGO) and Civil Society			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" 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 type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" 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"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	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 type="checkbox"/>	<input checked="" type="checkbox"/>
	<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>
Digitalisation @		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
digital connectivity		<input type="checkbox"/>	<input checked="" type="checkbox"/>	/
digital governance		<input type="checkbox"/>	<input checked="" type="checkbox"/>	
digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		

	digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES	NO	
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line(s) (article, item): 14.020132 The Pacific Total estimated cost: EUR 7 000 000 Total amount of EU budget contribution EUR 7 000 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing<sup>2</sup></b>	<b>Direct management</b> through: - Grants			

## 1.2 Summary of the Action

<p>This action will contribute to priority area 1 of the MIP: Green and sustainable economic recovery and development, specific objective 1.3: Promote green development, renewable energy and climate action in Timor Leste.</p> <p>The Overall Objective (Impact) of this action is to promote green development, and climate action in Timor Leste.</p> <p>The Specific Objective (Outcome) of this action is to improve a climate change resilient agro-forestry sector that provides sustainable and fair benefits to Timorese men and women, including most vulnerable people.</p> <p>The Outputs to be delivered by this action contributing to the corresponding Specific Objective are:</p> <p>1.1. Improved resilience to climate change and biodiversity in targeted communities through agro-forestry.</p> <p>1.2. Increased income and food security for targeted community members through agro-forestry production, including carbon farming.</p> <p>Main SDG is SDG 15 Life on land (mainly 15.1, 15.2 and 15.3). Other significant SDGs and targets: SDG 1 No poverty (1.2, 1.4, 1.5), SDG 2 Zero hunger (2.3, 2.4), SDG 5 Gender equality (5.1, 5.5), SDG 12 Responsible consumption and production patterns (12.2), SDG 13 Climate action (13.1, 13.2, 13.3).</p> <p>The DAC codes specifically targeted are DAC code 311 Agriculture (40%) in particular 31120 (Agricultural development), 31130 (Agricultural land resources) and 31165 (Agricultural alternative development); and DAC code 312 Forestry (40%) in particular 31220 (Forestry development) and DAC code 418 Environment (20%) in particular 41081 (Environment education / training)</p>
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<sup>2</sup> Art. 27 NDICI

## 2 RATIONALE

### 2.1 Context

Timor Leste is situated in Southeast Asia and it is one of the world's youngest countries, independent since 2002. According to the results of the 2022 Population and Housing Census, the country has about 1.34 million inhabitants, 63% living in rural areas. Timor Leste is a low income country with GDP per capita at USD 2,741.4 in 2021<sup>3</sup>, with 42% of the population still living in poverty.

According to the last Labour Force survey in 2021<sup>4</sup>, among the 809,000 people in age of working (from 15 years old), 234,000 are formally and informally employed or self employed (involved in market oriented activities). 440,000 are not considered as employed but they are involved in household care work such as subsistence farming, fishing, processing food for storage or collecting firewood. Remaining people are retired or not working for personal and family reason. Average salary for employees is USD 248 per month. Remittances and subsidies must be also considered as important sources of livelihood for the population.

The national government runs on a semi-presidential system, with the popularly elected president sharing power with a prime minister appointed by the National Parliament. The country maintains a policy of international cooperation, and is a member of the Community of Portuguese Language Countries, an observer of the Pacific Islands Forum (PIF), and an applicant for the Association of Southeast Asian Nations (ASEAN) membership. The annual budget is EUR 2.03 billion in 2023. It mainly supports recurring spending (77%). 8.6% is invested in capital spending<sup>5</sup>. More than 80% of the budget comes from use of the interests of their Sovereign Petroleum Fund (EUR 19.2 billion); the rest is coming from taxes and international aid.

The Government has an increasing interest in boosting the private sector and diversifying the economy through the development of sectors such as agriculture, industry and tourism. Sustainable and climate resilient economy is a priority highlighted in a number of the Government's own policies. These Government strategic priorities are indicated in their Strategic Development Plan 2011-2030 and Post-COVID-19 Economic Recovery Plan.

The EU is a long lasting development partner of Timor Leste. Based on the last Government Strategic Development Plan and Post-COVID-19 Economic Recovery Plan and taking into account priorities of the EU at global and regional level, it has been decided to focus on two priority areas of cooperation as indicated in the MIP 2021-2027: green development and governance. Within the green development component the EU and Government agreed to have a specific emphasis on agro-forestry.

Timor Leste has faced multidimensional challenges on land use management, including deforestation, land degradation and poverty. Agro-forestry is recognised as one of the viable options for balancing the socio-economic needs and ecological functions of the lands in Timor Leste. The EU has a significant experience in this sector. Recently the EU was supporting the implementation of a large agro-forestry programme Ai Ba Futuru (GIZ, EUR 14.2 M), and currently there are two EU funded projects in the area: an agro-forestry and carbon farming project Rai Matak (Oxfam, EUR 2.7 M) and a technical assistance to the Government in climate change and carbon farming (Alinea, EUR 2.2 M). In the second semester 2023 a complementary Action on Technical Vocational Education Training (TVET) in agro-forestry will be implemented (EUR 7 M). In the long run EIB is exploring the potential of future interventions in this sector.

There is a large potential to develop agro-forestry in the country (35,000 ha according to ADB sources<sup>6</sup>) in term of climate resilience, income and food production. A value chain approach in the sector can create employment, empower women and support more modern agriculture using technology such as digitalization. There a potential complementarities with major stakeholders involved in the sector (ADB, UNDP, DFAT and JICA).

The EU considers that agro-forestry is one of Timor Leste's top initiatives (pitch: "working toward green and sustainable development of the agro-forestry sector for the whole population") and the Action will be a core part of this flagship. It contributes to priority area 1 of the MIP: Green and sustainable economic recovery and

<sup>3</sup> <https://data.worldbank.org/country/TL>

<sup>4</sup> Timor Leste Labour Force Survey 2021 Report

<sup>5</sup> World Bank report, 2022

<sup>6</sup> <https://www.mdpi.com/1999-4907/13/1/41>

development, specific objective 1.3: Promote green development, renewable energy and climate action in Timor Leste.

The Government is in the process of adopting an **agro-forestry strategy** for the coming years . Its aim is “By 2032, the potential of agro-forestry practices to sustain rural livelihoods and contribution towards economic, environmental and social development is achieved in a sustainable and equitable manner.” Natural resources management and sustainable and climate resilient agriculture is highlighted also in the last Government Strategic Development Plan, updated Nationally Determined Contributions (NDCs), draft Climate change law (supported by the EU), and in the National Community Forestry Strategy 2022-2032.

The Timorese strategy is aligned with the EU Commission priorities for 2019-24, in particular the **European Green Deal**<sup>7</sup>, the **Global Gateway**<sup>8</sup> and will contribute to Sustainable Development Goal (SDG) 1 (No poverty), SDG 2 (Zero hunger), 12 (responsible consumption and production), 13 (climate action), 15 (life on land), 5 (gender equality) and 17 (partnerships) of the 2030 Agenda for Sustainable Development. Combating deforestation and forest degradation constitutes also an important part of the package of measures needed to combat biodiversity loss and to comply with the Union’s commitments under the UN Convention on Biological Diversity (CBD), the EU Biodiversity Strategy for 2030 and the EU new regulation on deforestation-free products<sup>9</sup>.

The action is also framed by the EU Strategy for cooperation in Indo-Pacific, that intends to work with Indo-Pacific partners to build more resilient and sustainable global value chains by diversifying trade and economic relations. This action will tackle the green transition priority: work with partners to fight, mitigate and adapt to climate change and to counter biodiversity loss, pollution and other forms of environmental degradation.

This initiative is contributing to the **EU Global Gateway Strategy** and is part of the **Regional Team Europe Initiative on Green-Blue Alliance**<sup>10</sup> between the EU and the Pacific. The Green-Blue Alliance includes key actions on sustainable management of natural capital aiming at developing a stewardship model that reconciles biodiversity, environmental protection and restoration, with sustainable development that favours economic growth and job creation, population well-being. This action will have a positive impact on sustainable development due to the focus on agriculture and forestry.

The action is designed to support the implementation of both the Paris Agreement and the Sendai Framework for Disaster Risk Reduction 2015-2030. Furthermore, it supports the implementation of the Gender Action Plan III, notably its key thematic area “Addressing challenges and harnessing the opportunities offered by the green transition and the digital transformation”.

## 2.2 Problem Analysis

Deforestation in Timor Leste is high. Numbers vary between 1.5 to 1.7% of annual deforestation rate, and approximately 6% annual forest degradation rate. The main reasons are tree cutting for fuel wood (93% of the households derive their energy from fuel wood), forest fire due to unsustainable agriculture practices (slash and burn, approximately 50.000 ha of burned area per year<sup>11</sup>) and high population growth rate (2.7%/year) with new urbanisation areas in forest or agriculture areas. Deforestation induces loss of soil conservation, biodiversity and water regime degradation. It also increases sensitivity to climate hazards such as flash floods, droughts, unpredictable rains or storm wind, which have a direct impact to the rural population.

Restoring degraded forest areas, as is promoted in the recently adopted national community forest strategy (2022-2032), with an agro-forestry approach at the initial phase and carbon farming (REDD+ or voluntary market), is an option discussed with the Government and development partners. Particular attention would be on degraded forests in climate sensitive areas where climate hazard that affect directly rural communities. Trees planted would be indigenous in order to reestablish and enhance biodiversity. As forests belong to the community and Government,

<sup>7</sup> European Green Deal: [A European Green Deal \(europa.eu\)](https://european-council.europa.eu/media/en/press-room/pages/press-room.aspx?story_id=12345)

<sup>8</sup> 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: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021JC0030>

<sup>9</sup> Deforestation-free products: [https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products\\_en](https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en)

<sup>10</sup> EU-Pacific Green-Blue Alliance: [https://www.eeas.europa.eu/sites/default/files/eu-pacific\\_green-blue\\_alliance.pdf](https://www.eeas.europa.eu/sites/default/files/eu-pacific_green-blue_alliance.pdf)

<sup>11</sup> “Fire incidence, its determinants and customary management in Timor Leste”, FAO, 2021

and cutting and slashing forests is deeply anchored in farmer mentality (practiced by 87.1% of the farmers<sup>12</sup>), comprehensive community consultation is required.

30% of arable land is utilised for growing food and grazing livestock. The remaining land lies fallow under a traditional shifting “slash and burn” and low input crop and animal systems<sup>13</sup>. These lands are mainly degraded, with low fertility and low productivity. As stated by the agro-forestry policy (under adoption) these lands are suitable for agro-forestry systems. It provides new areas for more productive cultivation, and improves soil conservation and quality.

63% of the population lives in rural areas. They are mainly involved in subsistence farming, using small-scale areas for agriculture and generally share common areas to raise animals or collect wood. Their cultivation practices are seasonal, sensitive to climate hazards, and principally dedicated for consumption or the local market. Due to degraded road infrastructure, lack of organised market and limited sensitisation on opportunities to diversify income and production, there are few rural families involved in selling sizeable quantity or high value agricultural products for national (and international) market.

Agro-forestry is seen by the Government and a number of stakeholders, as a viable response for the development of the country. It is culturally accepted, it can open new areas of cultivation (in degraded areas where traditional agriculture cannot be developed), it stabilises and improves the soil, and it plays an active role in climate change mitigation and adaptation. Furthermore, it is one of the best land use strategies to contribute to food security and nutrition while simultaneously limiting environmental degradation and can provide substantive income if well organised through a value chain approach and carbon farming<sup>14</sup>.

Therefore, the Action tackles two main problems in Timor Leste:

- Degradation of forest coverage making rural population more sensitive to climate change and climate hazards.
- Recurrent poverty and vulnerability of the rural population due to lack of work opportunities and diversified sources of income.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

- Ministry of Agriculture and Forestry (MAF) / General Directorate (GD) – Forest, Coffee, Industrial Plants (FCIP): to supervise the implementation of national policies, regulation, programme and guidelines; to secure and manage human and financial resources to implement programmes.
- State Secretary for Environment (SSE): to provide necessary guidance and regulatory framework on environment; it is the focal government body for carbon farming activities through its National Designated Authority. SSE is also handling a programme “Coffee decarbonisation Project” that incorporate the concept of carbon farming.
- Development partners supporting specific agro-forestry activities. Currently the main development partners are UNDP (GCF project ‘Safeguarding Rural Communities and their Physical Assets from Climate Induced Disasters in Timor Leste’, USD 22 million), JICA (JICA implementing community-based landscape management for enhanced climate resilience, USD 15.4 million), and ADB (ADB loan to MAF for agro-forestry and water harvesting, USD 81 million). Other agencies involved to some extent in agro-forestry are DFAT, and FAO. Regular dialogue and coordination meetings are held in order to ensure complementarity of actions in term of activities and geographical location.
- International and national NGOs implementing agro-forestry projects, such as Oxfam, CRS, Care, Plan International, Permatil, Raebia, FCoty, Xpand, HMI (not exhaustive list) that are directly involved in community based agro-forestry and / or carbon farming. MAF and the Development Partner Agriculture Working Group will ensure that all actions implemented in the ground are well coordinated.
- Local CSOs, Communities, church, youth / women representatives and traditional leaders that implement and facilitate agro-forestry projects at local level. They are key stakeholders to gather local knowledge,

<sup>12</sup> Idem

<sup>13</sup> Idem

<sup>14</sup> Some value chain analysis such as the UNDP report on value chain in Oecusse Timor Leste, 2022, show some opportunities that can generate more than 100 USD/month/family. The WithOneSeed project on carbon farming gives example of beneficiaries that earn more than 500 USD/year in caring trees. The EU funded TVET project in agro-forestry will make a comprehensive value chain analysis that will allow the EU to tune its estimation of potential income through value chain and carbon farming.

mobilise communities and implement certain aspects of the Action. As per the EUD Roadmap for Engagement with Civil Society in Timor Leste, calls for proposal must specify that when international NGOs apply as main applicant, they must have a local CSO as co-applicant, and also include financial support to third parties in order to support even smaller CSOs active in the sector but unable to directly access EU funding due to low financial and management capacity.

- Training institutions in agro-forestry related activities. Specific link to be established with technical vocational education training centres supported by the EU programme (TVET in agro-forestry).
- Private sector involved in agriculture and forest products or service providers (examples: Chamber of Commerce and Industry, small scale processing companies, traders or middle man involved in the selected value chains, cooperatives, fair trade local and international companies or certification bodies).

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to promote green development, and climate action in Timor Leste

The Specific Objective (Outcome) of this action is to improve a climate change resilient agro-forestry sector that provides sustainable and fair benefits to Timorese men and women, including most vulnerable people.

The Outputs to be delivered by this action contributing to the corresponding Specific Objective are:

- 1.1. Improved resilience to climate change and biodiversity in targeted communities through agro-forestry.
- 1.2. Increased income and food security for targeted community members through agro-forestry production, including carbon farming.

#### 3.2 Indicative Activities

Activities relating to Output 1.1

- National, regional and local mapping of degraded land potentially suitable for agro-forestry, with particular attention on areas sensitive to climate hazards, such as floods or drought.
- Identification of agro-forestry potential adapted to local culture, geography, ecology, climate and market opportunities. Example of agro-forestry models found in Timor Leste: shaded systems such as coffee with shade trees and other cash and food crops as side products, home gardens that includes food crop, fruit, fodder trees and live fences, forest gardens with more fruits and timber trees than food crops or silvo-pastoral systems in communal lands.
- Workshops/discussions/trainings/roundtables on land rights and land mapping.
- Proposal of agro-forestry plans for each community / suko.
- Reinforcement and construction of infrastructures for further agro-forestry activities: nurseries, water harvesting in identified plot, protective fence, soil conservation practices, etc.
- Development of training, capacity building and technical assistance in close coordination with TVET project on tree planting, soil conservation and other technical aspects of agro-forestry (including mainstreaming agroecology principles<sup>15</sup>).
- Planting of trees adapted to local ecosystem and climate in fragile areas for further agro-forestry production.

Activities relating to Output 1.2:

- Identification and promotion of high-demand (and high-value) crops and animals suitable for national / international markets. Based on studies in particular from EU-funded agro-forestry TVET and selected according to their positive contribution to the environment, biodiversity, carbon sequestration, and being better adapted to climate change.

<sup>15</sup> [10 elements | Agroecology Knowledge Hub | Food and Agriculture Organization of the United Nations \(fao.org\)](#); [Quick tips: Integrating climate change and the environment in the agriculture and food systems | Capacity4dev \(europa.eu\)](#)

- Identify and introduce new approaches and business models adapted to the climate change context to promote and diversify agro-forestry production and increase the income and food security of rural and vulnerable households in Timor Leste.
- Provision of technical and organisational support of the identified value chain: from production, processing, transport, to marketing of the product. Priority of fair trade, deforestation-free and organic products.
- Facilitating access to credit to rural families, supporting groups willing to apply for credit.
- Specific support in digitalisation, youth development and women empowerment.
- Promotion and reinforcement of small-scale timber industry, taking into account environmental and biodiversity issues.
- Development of carbon farming activities.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

##### **Outcomes of the SEA screening** (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action required. The EU considers that there is no immediate need to conduct a Strategic Environment Assessment for the sector that tackles the action (Agro-Forestry). The agro-forestry strategy, under formal validation, should provide positive effects on environment and climate change adaptation and mitigation. Although a SEA could improve the strategy, the EU propose to contemplate this opportunity in a later stage.

##### **Outcomes of the EIA (Environmental Impact Assessment) screening** (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category B project not requiring an EIA, but for which environmental aspects will be addressed during the design of the action. The nature of the projects under the action should provide a positive impact on environment and climate change adaptation and mitigation. Although an EIA is not needed, a careful analysis of the environment impact for each project should be considered (i.e. biodiversity, use of water resources).

##### **Outcome of the CRA (Climate Risk Assessment) screening** (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment). The action will focus on agro-forestry mainly in geographical areas that are sensitive to climate risks (slope, degraded land). Therefore, each project under the action should have a clear focus on climate risk adaptation and mitigation.

##### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action will contribute to accelerating progress towards gender equality in Timor Leste as is part of the action and it is mainstreamed in most of the project activities (G1) on green development and climate action.

This action promotes increased women and youth participation and empowerment in the sector of agro-forestry. This will be possible through selection of gender balanced beneficiaries for agro-forestry production, gender and GbV sensitization in most of the trainings, and promotion of balanced men and women leaders in the newly created economic groups.

##### **Human Rights**

The action involves the duty bearers at all level. At national level (Government stakeholders involved in agro-forestry), municipal and local level (administration and extension services). As much as possible messages on protection, promotion and fulfillment of human right, including child labor, will be delivered during workshop and trainings.

Rights-holders will be empowered through their active participation in the whole sector (producing trees, participating in agro-forestry techniques, training, market and transformation of the products).

This action will apply the working principles of the human rights based approach (HRBA): applying all human rights for all, meaningful and inclusive participation and access to decision-making, non-discrimination and

equality, accountability and rule of law for all, and transparency and access to information supported by disaggregated data. Annual review and evaluations should screen this aspect (and gender) and may lead, if needed, to proper readjustments.

### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that people with disability are not the main target of this action. Nevertheless, the project will take into account their needs and will integrate them if possible as beneficiaries for agro-forestry production, training or commercialisation of products.

Disaggregated data by disability status will also be privileged whenever possible to give visibility to the situation of PWD in Timor Leste.

### **Reduction of inequalities**

The action targets climate-sensitive geographical locations where vulnerability of the population is high. The implementing partners will use the Government-owned vulnerability matrix in order to identify the most vulnerable areas that are suitable for agro-forestry. The vulnerability matrix is a participative process that has included most of the stakeholders including vulnerable and marginalised people.

Within the identified location and special attention will be given in the beneficiary selection process in order to leave no one behind.

### **Democracy**

The action takes place within the context of decentralised decision making and increasing autonomy for provincial authorities in planning and implementation agro-forestry programmes. The impact of improved and sustainable economic development will re-enforce democratic principles and governmental accountability. It also supports the participatory models of sector governance that involve private sector representation and will work towards involving civil society representatives in management bodies, including youth organisations.

### **Conflict sensitivity, peace and resilience**

The land ownership is an issue. Although a land reform law exist, it has not been applied. For the moment, the rural population is mainly relying on customary law. Planting trees, supporting irrigation systems, providing seeds will increase the value of the land and may create tensions between beneficiaries and non beneficiaries and land dispute.

It is for that reason that it is at the utmost importance to involve the community and its leaders at the inception of the action and conduct a comprehensive participatory land use planning. In parallel, the EU has (currently) a policy dialogue around land ownership in order to avoid conflict around land dispute for the action and other projects.

Regarding resilience, if the EU, with the agreement of the Government, has decided to support agro-forestry, it is also because it improves resilience to climate change, at individual, household and community level. The success of the action, which is fully in line with the Government agro-forestry strategy, will reinforce the credibility of the Government in the sector and may induce more actions and consequently more resilience at climate change national level.

### **Disaster Risk Reduction**

The country was affected in April 2021 by a severe flood with casualties and significant losses. It has highlighted the vulnerability of Timor Leste to climate hazards. One of the reasons is the uncontrolled deforestation. The action proposes reforestation in climate-sensitive areas that will improve the livelihoods of the population as well as reduce disaster risks.

### **Other considerations if relevant**

Through the proposed implementation modality, the EU also aims at supporting Civil Society Organisations as actors of governance and development in Timor Leste, and specifically intends to increase participation of Civil Society Organisations in addressing climate change, both in terms of mitigation and adaptation to its adverse effects, including disaster risk reduction and resilience. Any land-use will respect “Free Prior and Informed Consent” of target populations.

### 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
1-external environment	Extreme weather events affect the region	Medium	Medium	Agro-forestry projects will be located in degraded and climate sensitive areas (i.e. slopes). Mitigation measures, such as irrigation systems (or access to water if there is a drought for a long period), land protection (i.e. terrasses) and life fences should be put in place in each site, at minimum during the first years. Then after a few years the agro-forestry will be more resilient to climate hazards.
	Degradation of economic situation	Low	Medium	The country remains economically and politically stable sustained by sovereign petroleum fund. However an economic crisis may undermine agro-forestry value chains promoted by the action (focused on high value products). Mitigation would be to readjust the agro-forestry model and focus more on food production with low inputs.
2-planning, processes and systems	Lack of effective coordination across public agencies/institutions and overlaps/duplications of donor efforts	Low	Medium	There is actually a good coordination between the different development partners, in particular in the sector of rural development. Nevertheless coordination has to be continuous, as new programmes from other development partners and Government are under formulation (mainly under GCF). The EU will continue to play an active role in sector coordination.
	Changes in the political landscape and related priorities	Low	Medium	Agro-forestry and more in general climate change-related action is considered as a priority for most of the political parties. It is unlikely that a new Government will refrain any initiatives in pro to a better policy and legal framework in the area of climate change. Continuous policy dialogue between the EU (and other development partners) and the Government is of utmost importance.
3-people and the organisation	Resistance to new approaches of local communities	Low	Medium	Agro-forestry is commonly practiced in rural areas. The most important is to make sure that the model promoted fits with the local knowledge through a solid participative approach.
	Conflict over resources and land ownership	Low	Medium	Land ownership is key for any long-term agriculture activity (tree plantation). Customary law for individual plots is practiced in most rural areas. Any organisation involved in agro-forestry activities should sign an MoU with the

				Government in order to receive the commitment that trees planted in individual plots are owned by the farmer (current practice for ongoing agro-forestry projects).
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**Lessons Learnt:**

From past and ongoing EU projects (mainly the agro-forestry project “Ai Ba futuro” implemented by GIZ and Rai Matak implemented by Oxfam, and ProResilience Action implemented by FAO) some lessons learnt were taken into account:

- Importance of comprehensive participative process (including traditional leaders, church, local civil society, women and youth groups...) with the communities in order to identify their interest in the sector, the model that suits better their knowledge and tradition, the specific sites suitable for agro-forestry.
- To conduct value chain analysis and project feasibility studies for each site, taking into account current private sector interest (including middle men), the minimum size of production that farmer should produce, investment that farmers are ready to commit, infrastructure available. The private sector should be involved since the inception of the project.
- Training at all levels, and in connection with the TVET programme, active participation of the extension services, coaching of the farmers, and support of lead farmers, are all key to success.
- Coordination at all levels (and not only at development partner level) is essential in order to exchange experiences and ensure proper coordination and synergies.
- Regular policy dialogue with the Government to make sure that commitment is continuous.
- To have a proper and proportionate communication on the project, to be active in some key events in order to highlight some key messages on climate change.

### 3.5 The Intervention Logic

The underlying intervention logic for this action is that agro-forestry is seen as a virtuous sector by all stakeholders, including the Government and civil society, for improving livelihood of rural population, men, women and marginalised people, and for mitigating climate change in climate sensitive areas.

Although emerging institutional, policy, and legal frameworks exist, there is a need to reinforce such frameworks throughout the action. This would be possible only if the Government pursues its efforts by investing funds and human resources in this sector, and there is a good coordinated among the various stakeholders.

Agro-forestry is commonly practiced in rural areas. Notwithstanding that it is currently more focused on food security while there is a large potential to generate more income through a value chain approach and expanding the areas, in particular in climate sensitive locations. A large effort on sensitisation and dialogue with all local stakeholders is needed, at the inception of the action, in order to ensure that the beneficiaries are adopting the readjusted model proposed by the implementing partners.

Supporting value chain requires intensive mobilisation and training, and active participation of all actors including private sector. Nevertheless, the assumption is that markets identified at the inception are not affected by severe economic crises that could affect the country.

Planting trees and promoting conservation techniques will improve resilience of the selected sites to climate hazards, as far as no major extreme weather events occur during the implementation of the projects. It will also contribute in increasing carbon capture in the country, and therefore fulfill the Government's international commitments indicated in its revised NDCs.

A conducive institutional, policy and legal framework in the sector of agro-forestry with well identified models adopted by the rural population, generating income and environment services will contribute to green development and climate actions for the whole country. This will be possible as far as all stakeholders including Government, development and implementing partners, private sector, civil society and beneficiaries remain interested (or increase their interest) in investing and participating in the sector.

This programme will be implemented in close coordination with the government and main stakeholders. It will also complement other EU interventions that may run during the same period, notably the TVET in agro-forestry and Strengthening Social Inclusion and Nutrition. A non-exhaustive list of complementary activities that EU foresee:

#### TVET in agro-forestry:

- Development of a strategic roadmap and value chain analysis, creation of an observatory of the agro-forestry sector (activities related to output 1): the agro-forestry programme, through its beneficiaries and stakeholders, can provide field base information in terms of training needs, identify potential value chains adapted to the target areas, and share analysis of challenges and opportunities in the sector; TVET will provide in-depth value chain analysis with market potential, and provide a coordination platform for the agro-forestry sector.
- Training courses (activities related to output 3) developed by TVET programme for private sector development can complement the field base technical trainings offered by the agro-forestry programme to the beneficiaries and other stakeholders.

#### Strengthening Social Inclusion and Nutrition:

- Conduct trainings and promote awareness on the importance of safe and nutritious school meals through the School Feeding Programme to children, parents and communities (Activity 2.1.5): potential combined training / sensitisation when the promoters from the programme are in a target community supported by the agro-forestry programme.
- Activity 2.1.6. Provide technical assistance to relevant supply chain actors, on production, conservation, transport and consumption of agriculture products in the School Feeding Programme. School Feeding Programme can be considered as a solid client for farmers involved in the agro-forestry programme.
- The EU is currently supporting feasibility studies in three sectors for potential loans to the Government, to be provided by EIB. One of the sectors is Forestry / agro-forestry. Dialogue has been established between the EU and EIB in order to ensure complementarities between the two. Before the implementation of the agro-forestry programme, the EU will have more details on the potential complementarities.

### 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.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years, 2028)	Sources of data	Assumptions
<b>Impact</b>	To promote green development, and climate action in Timor Leste.	Total investment from Government and development partners in green development, and climate action in Timor Leste.	USD 25.5 M invested in highly relevant public expenditure in the sector of agriculture between 2018 and 2020	To be determined,	Climate Public expenditure and institutional review, UNDP  Newly established MRV systems  Government and stakeholder reports.	<i>Not applicable</i>
<b>Outcome 1</b>	Improved climate change resilient agro-forestry sector that provides sustainable and fair benefits to Timorese men and women, including most vulnerable people	1a (GERF 2.1) Number of smallholders reached with EU-supported interventions aimed to increase their sustainable production, access to markets and/or security of land  1b (GERF 2.7) Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq) with EU support	1a - 4000 households  1b - 0	1a - 6000 households in 2028  1b – To be determined	Projects reports  Beneficiary list and profile (at the inception and end of the project)	Continuous interest in agro-forestry from Government, development and implementing agencies, private sector, civil society and beneficiaries.
<b>Output 1 relating to Outcome 1</b>	1.1 Improved resilience to climate change and biodiversity in targeted communities through agro-forestry	1.1.1 (GERF 2.2) Areas of agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha)  1.1.2 GERF 2.9 Areas of terrestrial and freshwater ecosystems under (a) protection, (b) sustainable management with EU support (km2)	3000 ha  0	4000 ha in 2028  To be determined, in 2028	Projects reports  Geolocalization of interventions	No extreme weather events affect the intervention areas
<b>Output 2 relating to Outcome 1</b>	1.2 Increased income and food security for targeted community members through agro-forestry production, including carbon farming	1.2.1 (GERF 2.32) Number of food insecure people receiving EU assistance **	1.2.1 and 1.2.2. To be determined at the inception of the project	1.1.2 to be defined, in 2028	Projects reports  Beneficiary list and profile (at	- The economic situation remains stable.

		1.2.2 (GERF 1.1 SDG 2.3.2) Average income of small-scale food producers supported by the EU, by sex and indigenous status			the inception and end of the project)	- Resistance to new approaches of local communities
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## 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 72 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.

#### 4.3.1 Direct Management (Grants)

##### **Grants: (direct management)**

##### **(a) Purpose of the grant(s)**

The purpose of the grant is to provide agro-forestry services at local, regional and national level in order to achieve the two intended outputs of the action described in section 3.1.

##### **(b) Type of applicants targeted**

Applicants should be legal entities, public and private sector organisations, Civil Society Organisations (CSOs), natural persons or groupings without legal personality; local authorities, public bodies, international organisations, NGOs, economic operators such as SMEs.

The part of the action under the budgetary envelope reserved for grants may, partially or totally and including where an entity is designated for receiving a grant without a call for proposals, be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Specialisation in providing forestry and agriculture-related technical assistance and having all expertise required for the delivery of the results expected under this project;
- Specific expertise in the sectors covered by this action;
- Capability to ensure coordination and operating coherently at all levels with Timorese public institutions as well as other organisations and stakeholders and donors dealing with these sectors (including civil society, associations, media, etc.);
- Knowledge of the country context and prior experience in Timor Leste;
- Experience in promoting alignment of EU interests, policies and values in partner countries.

#### 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).

#### 4.5. Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>
<b>Implementation modalities</b>	
<b>Objective:</b> “Improve a climate change resilient agro-forestry sector that provides sustainable and fair benefits to Timorese men and women, including most vulnerable people” composed of	
Grants (direct management) – cf. section 4.3.1	6 800 000
<b>Evaluation</b> – cf. section 5.8 <b>Audit</b> – cf. section 5.9	200 000
<b>Totals</b>	7 000 000

#### 4.6 Organisational Set-up and Responsibilities

The Action will be implemented by a consortium of organizations (with at minimum active involvement of national NGOs). High level yearly Steering Committee will be organized chaired by one of the line ministries from the Government (likely MAF or SSE) and co-chaired by the EU, with presence of implementing partners and main stakeholders.. Quaterly technical steering committees and ad hoc committees will be also organized.

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 and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

Considering the large scope of support of the Action, including grass root mobilization, distribution of inputs, training and technical assistance, organization of commercial groups, capacity building of the Government and policy and legislative support, it is expected that a consortium of partners will apply for the project. At minimum a consortium of international and local NGOs is advised, but preferably additional partners such as international organizations and eventually SMEs. As per the EUD Roadmap for Engagement with Civil Society in Timor Leste, calls for proposal must specify that when international NGOs apply as main applicant, they must have a local CSO as co-applicant, and also include financial support to third parties in order to support even smaller CSOs active on the sector but unable to directly access EU funding due to low financial and management capacity.

## 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).

Roles and responsibilities for data collection, analysis and monitoring:

- 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).
- 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, based on indicators, baseline and target data including in the logical framework matrix.
- The implementing partner shall prepare progress reports and submit those 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.
- Key stakeholders should be actively encouraged to participate in the data collection and results reporting exercise.

All monitoring and reporting shall assess how the action is considering the principle of gender equality, human

rights-based approach and rights of persons with disabilities including inclusion and diversity. Indicators shall

be disaggregated at least by sex and age, and disability if possible.

## 5.2 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation may be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular for potential launch a second phase of the action.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the lessons learnt from the action are expected to be utilized for further supports.

The Commission shall inform the implementing partner at least three 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.

## 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.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, 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.