
DEMOCRATIC REPUBLIC OF TIMOR-LESTE

Multi-annual Indicative Programme 2021-2027

1. The overall lines of the EU international cooperation in the Democratic Republic of Timor-Leste

1.1. Basis for programming

The basis for 2021-2027 Multi-annual Indicative Programme (MIP) is the 2011-2030 Strategic Development Plan (SDP), complemented by the Government's post-COVID Economic Recovery Plan (ERP). The current Government Programme, which is derived from the SDP, describes the strategic development agenda of Timor-Leste (TL) in four key sectors: (i) social capital, (ii) infrastructure, (iii) economic development and job creation and (iv) consolidation of the institutional framework. The SDP articulates a strategy to transform Timor-Leste into "a medium-high income country by 2030, with a healthy, educated and safe population that is prosperous and self-sufficient in terms of food". The SDP's integrated package of strategic policies is to be implemented in the short term (one to five years), in the medium term (five to ten years) and in the long term (ten to twenty years).

The COVID-19 pandemic has considerably exacerbated socio-economic shortcomings in Timor-Leste, and the Government has responded with an Economic Recovery Plan. This seeks to address difficulties caused by the new economic situation, and places them in the context of pre-existing development challenges which it also seeks to address. The ERP is based on the concept of "building back better" and has two phases. The first is for the short term and is intended to mitigate the impact of the crisis caused by COVID. The second phase for the medium to long term includes structural measures and is designed for a transformational and sustainable recovery. The objectives of this second phase are: (i) the creation of new productive and decent jobs; (ii) the implementation and consolidation of social programmes of public investment (education, health, housing, and social protection) and (iii) improvements to the productive structure and to the factors that contribute to economic growth. All these objectives were already embedded in the SDP. However, they are now singled out and made more specific.

The provisions of the SDP and the ERP provide for an appropriate political and policy framework for the building of a long term partnership between the European Union and Timor-Leste, and provide scope for the reflection of EU geo-political and economic priorities in the pursuit of EU interests. These priorities are also framed by the EU strategy for cooperation in the Indo-Pacific. EU priorities and interests are coherent with Timorese challenges and ambitions, and key mutual agreeable outcomes include the following:

Economic development and prosperity in Timor-Leste through green and blue sustainable economic growth, where the diversification and development of the economy represents opportunities for the European private sector and for investors and investment banks. Opportunities exist particularly in value chain development in agroforestry (niche markets/certification), carbon certification, renewable energy sustainable fisheries (including the fight against illegal, unreported, and unregulated fishing), aquaculture, biodiversity conservation and protected area management (Northern Timorese waters belong to the coral triangle), internet-based services (connectivity, including submarine cables), and in the tourism sector.

Improved democratic structures and inclusive societies to ensure peace and stability, conducive to the establishment and successful operation of institutions and processes based on the rule of law, accountability, and a robust justice system paired with the development of human capital though fair access to education, health services

and social protection systems. In terms of security, this means reducing the likelihood of politically motivated unrest, and promoting maritime security. The EU has a strategic interest in a peaceful, secure, and prosperous Timor-Leste, in view of ensuring long-term stability in the wider region, given its geopolitical position as a gateway between Asia and the Pacific.

Effective climate action and the implementation of Agenda 2030, including in relation to coastal and marine environmental protection and sustainable agriculture and forestry addressing climate change, disaster risk management and resilience. This will preserve greenhouse-gas absorption capacity and safeguard biodiversity in Timor-Leste and the broader region.

Better connectivity. Poor connectivity between rural and urban areas and between Timor-Leste and the rest of the world has considerable impact on economic development and trade, and improvements will enhance opportunities for the European Union private sector and for enhanced European geo-political influence.

Regional integration. Better integration of Timor-Leste into the rest of Southeast Asia as well as possible accession to the Association of Southeast Asian Nations (ASEAN) will provide economic opportunities, and bolster Timorese influence. Inclusion of Timor-Leste in a rules-based integration process with close links to the EU has the potential to reduce the risk of it falling under the influence of other players with strategic interests.

Key challenges facing Timor-Leste include:

- State fragility (political instability, government capacity, limited policy implementation capacity and perception of growing corruption);
- Slow or unsuccessful economic transformation and diversification (heavy dependence on oil and gas extraction, high youth unemployment, difficult business environment, lack of regional integration that together with ineffective institutions discourage investment);
- A growing development gap between Dili and rural areas;
- Lack of legislation on land titling;
- Poor quality infrastructure and connectivity;
- Negative effects of climate change,
- A persistent high level of poverty, inequality, and low social development indicators, especially in rural areas, with malnutrition a major and persistent problem (Government focus is on large projects rather than on more sustainable initiatives).

A key element for programming is gender equality. It is a core value of the EU and a universally recognised human right, as well as an imperative to well-being, economic growth, prosperity, good governance, peace and security. At the same time, the SDP notes “For Timor-Leste to reach its full potential, our sons and daughters must be able to participate equally in our society”.

It is to be noted that the EU can increase the efficiency and effectiveness of EU engagement with Timor-Leste by fully aligning its interventions with the Government’s strategic framework, focusing on a fewer number of sectors, using country systems to the extent possible, implementing larger but more focused programmes, placing more emphasis on policy and strategic discussions rather than on procedural requirements, reducing transaction costs, and coordinating policy and development objectives and interventions with EU Member States (MS) and other development partners.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

1.2. Status of joint programming

Currently there is no EU joint programming in Timor because there is only one MS present at embassy level in Timor (Portugal). Coordination with Portugal takes place in the regular operations of both the Delegation and the Portuguese Embassy. Furthermore, *the Camões-Instituto da Cooperação e da Língua*, the Portuguese cooperation agency, is implementing several EU cooperation programmes.

1.3. Priority areas of the EU's cooperation with the partner country

The choice of two priority areas is based on the need to be relevant, and the intention to become the “partner of reference” for the Timorese people in the areas we intend to support. The financial amounts in each area aim to have a transformational effect, thus consolidating the EU’s position as prime sectoral dialogue partner for the Government.

The two areas are interdependent. A functioning system to manage public resources is needed to provide a conducive environment for a successful private sector. If the justice system does not work, private investments will not come for fear of unfair treatment. If ownership of land cannot be properly ascertained, farmers will not invest, and financial institutions will not be able to play their role as development enhancers. In such conditions, the fiscal base of the country will continue to shrink and domestic revenues will disappear. Employment will only be in the hands of governmental institutions. Digitalisation will play an increasingly important role in fighting these challenges.

Lastly, a healthy and socially fair and inclusive society is key to the stability needed for sustainable development. Addressing inequalities and ensuring that not only all individuals, but also all groups (such as more marginalised groups, i.e. persons with disabilities) have equal opportunities to participate fully in society are thus key tools to unleash the multiplying effects of economic development so that it benefits all Timorese, leaving no one behind. As education is a priority for human development political engagement in this area will be sought through global initiatives such as the initial Education for All¹ and the current Global Partnership for Education² amongst others.

The choice of the two priority areas below is informed by Timor-Leste country analysis, extensive discussions with Government stakeholders, civil sector, and the private sector, EU priorities and interests, lessons from past and present cooperation, and consultations with the EU Member States and development partners.

Priority Area 1: Green and sustainable economic recovery and development

A Green Economic Recovery will deliver a sizeable impact and make the EU a reference partner for the green transformation of the economy. The EU will help to ensure a sustainable and inclusive recovery from the devastating effects of COVID-19. The overall objective of this

¹ <https://en.unesco.org/gem-report/report/2015/education-all-2000-2015-achievements-and-challenges>

² <https://www.globalpartnership.org/>

initiative is to support the Timorese government in the implementation of its own economic recovery strategy to make it diversified, greener, inclusive and human centred, using the resources that a digital transformation can bring.

Priority Area 2: Good governance for sustainable development

Good governance is fundamental for socio-economic development and to sustain a peaceful society. The Timorese Government does not currently lack economic resources, but its institutions are weak. The EU is already a reference partner in Public Finance Management due to an ongoing budget support operation. Much support is needed in this area, which is closely linked to area 1, as it provides the basis for any economic development. The fact that Timor-Leste features so low in the World Bank's annual "Ease of doing business" rankings is largely due to ineffective institutions and lack of regional integration.

Cross-cutting themes

Gender equality is a cross-cutting area for all priorities and sectors, and a gender sensitive approach will be applied to all priority areas/sectors. The framework provided by the EU Gender Action Plan 2021-2025 (GAP III), will be the guiding principle for the implementation of action and policy dialogues. Specific focus will be placed upon the ratification of ILO Convention No. 190 on violence and harassment at work. Similarly, the EU Human Rights and Democracy Strategy and its Action Plan for 2020-2024 and the Human Rights and Democracy Country Strategy for Timor-Leste will shape the overall cooperation as they encapsulate the fundamental values that the EU stands for.

The EU will also mainstream engagement with civil society. It will seek to establish closer partnerships among the EU, civil society organisations (CSOs), and the Government on development issues, and will promote a favourable environment for CSO operations. The EU will support civil society efforts to promote sustainable development, human rights, gender equality and peace building, and to foster social accountability as a way to improve the quality and effectiveness of public policies and promote good management of public resources. Support will include structure dialogues with CSOs, participation on policy dialogues and sectors steering committees, CSO mapping, CSO capacity building and operational support.

Similarly, digitalisation and data technologies will be streamlined in all actions, paying special attention to bridging the digital gender gap. In the first priority area, there will be key elements in the development of the private sector and in the training of young people. Digitalisation will also be a fundamental tool in the management of natural resources and in the promotion of rural (agricultural) products and agricultural inputs. Land observation systems and European technologies in this regard can provide a key value added when it comes to more efficient use of agricultural land, management of livestock or adaptation to extraordinary weather events.

In the second priority area, digital technologies are the bedrock for effective management of public resources. Furthermore, putting technology at the service of people is an urgent need in Timor-Leste, where e-governance systems are not yet in place, rendering public institutions largely inefficient, resource demanding and slow to provide services for the population. Digital technologies linked to social services and nutrition are even more necessary, as the lack of a proper civil registry does not make it possible to have a close monitoring of the needs of the least favoured echelons of society. This way the poverty levels in a growingly young population are perpetuated.

Existing cooperation with UN institutions such as UNCDF on digital financial services will be expanded in close cooperation with Timor-TIC, the public institution in charge of the implementation of an e-identification system. The possible synergies of various initiatives to digitalise the public administration will be addressed through effective partnerships for digitalisation.

1.4. Justification and context

The current SDP is aligned with the United Nations' Millennium Development Goals and the Timor-Leste Sustainable Development Goals Roadmap published by the Government in 2017, outlining how the global goals align with the SDP, considering it a vehicle to implement the SDGs. In 2019, Timor-Leste published its first Voluntary National Review (VNR), on the implementation of the Sustainable Development Goals, taking stock of what had been achieved, and making several recommendations as to the way forward, with special emphasis on the period from 2020 onwards, placing the monitoring and evaluation of SDG results under the authority of the Prime Minister.

However, ten years since the start of the implementation of the SDP, many of the assumptions made in relation to development progress have proved erroneous and many socioeconomic reforms remain pending. Though the SDP outlines relevant priorities, it does not guide as successfully as it should national budgeting decisions and allocations. Budget preparation and implementation, as well as mid-term and long-term vision, have been very weak.

The Voluntary National Review identified four main areas to fast-track progress on the SDP in order to achieve the SDGs. Building human capital and promoting sustainable growth are vital pillars, but they will not be possible without consolidating peace and addressing municipal and rural-urban disparities. This will require the strengthening of institutional capacity and the prioritisation and resourcing of inclusive interventions to target the furthest behind first. It will also need improvements in data collection and analysis in order to ascertain who has benefited from certain interventions, and who has not, and to identify and address the key problems.

In 2016, in accordance with the Paris Agreement on Climate Change, the Timorese Government prepared their Intended Nationally Determined Contributions (INDCs) to fight and adapt to the negative effects of climate change. Timor-Leste's published INDCs were developed based on the special provisions given to the Least Developed Countries (LDCs) and Small Island Development States (SIDS) that stated that their INDCs "may communicate information on strategies, plans and actions for low greenhouse gas emission development reflecting their special circumstances". Thus, Timor-Leste's Nationally Determined Contributions (NDCs) do not have any specific emission reduction targets but focus on economy wide plans and actions.

The choice of priority areas to be supported in the framework of this Multiannual Indicative Programme is based therefore on a number of key elements such as the need to foster sustainable growth and jobs in an LDC country, the idea that growth must reach the whole population, and on the premise that growth must be respectful of the natural environment and resilient to climate change. Consequently, this growth cannot come at any price, therefore green and climate change friendly economic development must be resilient to a changing environment. At the same time, the kind of economic development witnessed in Southeast Asia has frequently neglected the least favoured parts of the population. There is now the opportunity to address inequalities so that no one is left behind. In a country like Timor-Leste with such a high percentage of the population below the poverty line, unemployed and young, this is not only a matter of social justice, it is a matter of social and political stability.

As the economy of Timor-Leste is still highly dependent on oil and gas revenues, the future of which is increasingly uncertain, economic diversification and the establishment of renewable energy sources are priorities. These can take place, *inter alia*, through sustainable private sector development, economic modernisation and climate resilient infrastructure through blending, capacity building and policy dialogue. The experience gained during the implementation of previous EU programmes in rural development and agriculture and the Government Plans included in the ERP illustrate that supporting economic diversification through private agricultural activity (not just subsistence farming, but small scale commercial agriculture) can provide employment and lower dependence on food imports. However, there are some constraints to this approach that need to be addressed at the same time.

One key element is the lack of a skilled labour force for the operation and maintenance of infrastructure and equipment necessary to support commercial agriculture. The lack of proper TVET systems linked to the labour market make the Timorese economy highly dependent on skilled workers, many of them coming from Indonesia.

At the same time, the lack of a proper land ownership registration system does not provide the legal security required for land property to be used as collateral for loans, and therefore small land-owners do not have the required financial resources to develop entrepreneurial activities. At the same time, the legal system still does not provide clear mechanisms for settling disputes, making it even more complicated for interested investors to work in Timor-Leste.

Therefore, the rationale for the choice of sectors lies in the desirability of supporting the Timorese Government's own appropriate strategies to diversify the economy through an integrated approach of supporting economic diversification via rural development by tackling deficiencies in relation to the quality and capacity of a future labour force and by facilitating access to finance by addressing issues in the legal system in Timor-Leste.

This objective cannot be achieved if certain governance and social issues are not addressed at the same time. There have to be the right public governance systems in place to ensure the sustainability of the policies with the right system of checks and balances and the Government has to be held to account for wellbeing of the whole of society. Hence, supporting Government reform plans to deliver public services effectively to the whole population is key to achieving poverty reduction, so that the significant resources that Timor-Leste has acquired in the last years reach all segments of the population.

Following almost 20 years of cooperation with Timor-Leste, evaluations of current and past cooperation show that sustainability of projects and actions remains sub-optimal. While capacity has certainly been created and service delivery has improved, there are still major areas that have to be further developed. The way forward therefore is to address policy issues together with the Government in areas that have a clear reform strategy and a clear commitment in the form of budget allocations. It is necessary to avoid supporting individual actions through a project approach that cannot be sustained due to a lack of government allocations, even if they have the potential for short-term (and unsustainable) success.

During the lifetime of the MIP, Timor-Leste will be eligible to take part in regional programmes for both Asia and the Pacific, and synergies with initiatives supported under the MIP will be assured. It is noted that the proposed areas for support under the MIP are also aligned with successful ongoing regional initiatives and programmes covering both Asia/South-East and the Pacific. Experience gained from the implementation of programmes targeting for instance regional economic integration in the ASEAN context or programmes such as Switch Asia on Sustainable Consumption and Production will clearly contribute to the success of actions at country level, and coordination with ongoing programmes will be essential. In the same vein,

regional Pacific initiatives on Public Financial Management, Resilience or learning from regional experiences on the implementation of Economic Partnerships Agreements are fully aligned to the proposed areas of intervention.

Lessons learnt and recommendations drawn on stem mainly from the mid-term evaluation of the Public Financial Management and Oversight programme of 2020 and the Strategic evaluation of the EU aid delivery mechanism of delegated cooperation (2007-2014), in which Timor-Leste was a specific case study, together with the Timor-Leste Governance for Development Program Review 2020 from the Department of Foreign Affairs and Trade (Australia) and the Journey to Self-Reliance Country Roadmap for Timor-Leste from the United States Agency for International Development.

Civil society organisations will be engaged in order to help implement required reforms, and will be engaged in dialogue. They will also receive capacity building support in order to monitor the work of the government, and to better hold authorities to account. Civil society will be supported not only through involvement in bi-lateral cooperation, but also through the EU's thematic programme for CSOs, with which synergies will be exploited. Civil society partners will also be able to benefit from the EU's global programme for human rights.

Donor coordination and working with other development partners will be crucial to maximise the potential of the MIP. Until very recently, donor coordination in Timor-Leste was weak, relying principally on ad-hoc sectoral working groups. Following repeated interest and insistence from the main development partners, the government has now taken an active role in donor coordination. This helps to ensure that development partners are aligned with Government priorities, to encourage effective division of labour, and to avoid overlapping.

Economic diversification, good governance, private sector development and rural development are areas of focus of most of the largest development partners of Timor-Leste. Therefore, the EU will continue to align and coordinate with the World Bank, USAID, and Australia in Public Finance Management and Good Governance. Similarly in areas related to climate change and resilience, the EU will work not only with UN institutions but also with Japan, Korea and Australia, and in areas related to social protection mostly with Australia. The Copernicus Earth Observation Programme will be considered to support this MIP on both pragmatic/technical, policy dialogue and, public diplomacy levels.

1.5. Duration of the MIP and option for synchronisation

The duration of the MIP in Timor-Leste is seven years with a mandatory review synchronised with the country cycle. The current SDP has a time frame from 2011 to 2030 and it is also anticipated in the more recent Economic Recovery Plan that it will be under implementation till at least 2030. Next general elections in Timor-Leste are scheduled for 2023. Therefore, it is reasonable to front-load the plan up to 2023 and then provide for a review in 2024 with the new incoming Government.

2. EU support per priority area and proposals of Team Europe Initiatives

The two selected priority areas are inter-dependent: effective performance in each of them will help to ensure successful outcomes in the other. Together they can assure a level of development required to contribute significantly to poverty reduction, the well-being of the Timorese population, and a much-needed broadening of the Timorese economic base. With one of the areas focussing on green economic development and the other on good governance, an increase in government revenue originating from the proposed set of activities will be an important indication that this MIP has successfully encouraged and facilitated appropriate policy and action on the part of the Government.

2.1. Priority area 1: Green and sustainable economic recovery and development

Priority area 1: Green and sustainable economic recovery and development

Indicative sectors:

- Business & Other Services (DAC code 250)
- Vocational training (DAC code 113)
- Environment (DAC code 410).

In 20 years, Timor-Leste has doubled its population (now 1.3 million), created a sovereign Petroleum Fund (PF) with a value close to eleven times the state budget, and successfully addressed some development goals (access to education, electrification, macroeconomic fundamentals, *inter alia*), but it is still a least developed country (LDC) with a state-driven and oil-dependent economy. Big investments continue to be concentrated on road infrastructure and the oil sector, raising concerns about macroeconomic sustainability in the medium- to long-term. Timor-Leste's economic growth and diversification require a major improvement in its human resources and institutional capacities, in its connectivity and in the "doing business" or investment framework.

The preference for the Southeast Asia region, compared to the Pacific one (despite Timor-Leste's intention to retain membership of the Asia, Caribbean and Pacific (ACP) grouping by signing the successor of the Cotonou Agreement), is clear and the accession to ASEAN is Timor-Leste's main geo-political priority. Finally, Timor-Leste is affected by climate change and natural hazards, but its environment infrastructures and policies are incipient, as is the incorporation of climate and disaster risk issues and environmental sustainability in public action and in national projects; this may affect some potential economic areas, such as tourism and forestry.

The Team Europe response will help to establish a greener, more diversified and inclusive economy that will reduce inequalities. The response will be aligned with Government policy, and will support the implementation of a range of measures reflected in Timor-Leste's own post-Covid-19 Economic Recovery Plan, published in August 2020. The EU will become the reference partner for the implementation of the recovery plan by accelerating a transition towards a more diversified circular, climate-neutral economy and resilient ecosystem.

2.1.1. Specific objectives related to the priority area

i. Promote green and sustainable economic diversification in Timor-Leste through private sector development, technical and vocational education training (TVET) for youth integration in the labour market. Related SDG 1, SDG 2, SDG 5, SDG 7, SDG 8, SDG 9, SDG 10, SDG 13, SDG 17.

To diversify the Timorese economy there needs to be a special focus on private sector development. This involves enhancing the small and medium enterprises sector, while also removing some of the binding constraints to private sector growth and improving infrastructure, increasing efficiency in the public sector, facilitating credit, and building up skilled labour. An embryonic tourism industry is challenged by the lack of infrastructure (connectivity, power, workforce, etc.) and inconsistent policies to promote it.

Current consumption patterns in Timor-Leste are highly linear and not sustainable in the long term. The efforts that are placed on initiatives such as the Plastics Upcycling Alliance to develop concepts of circular economy and sustainable business models could be extended to other areas with high youth employment potential and where environmental sustainability is key, as is the case of agroforestry or tourism.

There is high youth unemployment with very low levels of vocational skills and very deficient basic education. This situation is worse for women. Timor-Leste has one of the youngest populations in the world, with nearly 62% below the age of 25. While being an opportunity and an asset if it is invested in strategically, the young population increasingly exerts pressure on the economy as well as on social services and therefore, on peace and stability. In Dili, opportunities for higher education attract young people from the poorer rural areas, resulting in significant rural-urban migration. This presents a challenge for the estimated 19,000 young people who are looking to enter the workforce annually. The Government has recognised that the high unemployment rate, particularly among economically marginalised youth, could be a potential source of instability, particularly as many young men belong to large martial arts groups (gangs), rivalries among which often result in violence. In response, the Government has created a Youth Policy aimed at creating more employment opportunities.

In respect of inclusive and sustainable human capital development, the issue of child labour will be considered through, at least, support in ratification and effective implementation of the outstanding ILO fundamental conventions on minimum age (C138) and abolition of forced labour (C105) as well as effective implementation of other ratified fundamental ILO conventions.

Investments for the development of the youth sector should therefore be treated as a matter of priority and considered highly strategic. Green jobs can offer new employment opportunities and help reduce negative impact on the environment, therefore leading private sector initiatives and the youth towards socially sustainable economies. The EU will thus support decent and sustainable policies that encourage the economic empowerment of young people in the context of a green economy. The EU considers TVET as a major instrument in support of employment and recognises the pivotal role of the private sector as the motor of employment. TVET transformation starts by getting a clear picture of the private sector, which now is weak and unorganised.

The role of TVET extends from preparing youth for employment by companies to better preparing youth for self-employment and jobs in the informal sector. Through capacity building and exchange of knowledge, the EU will seek to support TVET for employability and will be prepared to use its range of aid instruments along with intensified policy dialogue. TVET will be the entry point to address labour issues and improve livelihoods, employability, productivity and competitiveness with a clear focus on the environmental dimension of employment. Close and comprehensive coordination mechanisms between companies requiring workers (demand side) and public and private TVET providers (supply side) can facilitate swift adaptation of TVET to the needs of the economy. The TVET market thus becomes established as an

adjustment mechanism between labour market supply and demand. The EU will support the establishment of a demand-driven TVET system that takes into account the growing size of the youth cohort, economic growth, and flow of migrant workers.

ii. Support Timor-Leste's regional economic integration. Related SDG 8, SDG 9, SDG 16, SDG 17.

Timor-Leste needs to better integrate into regional supply chains, in particular with Indonesia, and it needs to up its preparations for potential ASEAN accession. Closer integration with the rest of Southeast Asia could attract investors and contribute to the diversification of the Timorese economy beyond oil and gas. It is in the EU's interest to work closely with ASEAN and other organisations in order to continue supporting the Timorese regional and multilateral economic integration. Inclusion of Timor-Leste in a rules-based integration process with close links with the EU can reduce the risk of it falling under the influence of other players with strategic interests.

At the same time, Timor-Leste has recently notified the EU of its intent to accede the Interim Economic Partnership Agreement (EPA) between the EU and Pacific States. EPAs are open to accession of all ACP Pacific States party to the Cotonou Agreement based on the submission of a GATT 1994 Article XXIV compliant Market Access Offer. Timor-Leste aims at safeguarding favourable EU market conditions following its likely graduation from LDC status in the coming years, and by its conviction that accession to the EPA will help to build technical and institutional capacity towards membership of both the WTO and ASEAN.

Accession to the Interim EPA is in particular attractive as it might help to bring investors not only from Europe, but also from Indonesia and other ASEAN countries, including in relation to global sourcing, as Timor-Leste is looking to diversify its economy (currently heavily relying on oil and gas revenues). As the Interim EPA is a development tool, our approach will be guided by the need to protect and promote local growth, jobs and poverty reduction.

If Timor-Leste finally joins ASEAN and the WTO, at the same time that facilitates private sector development (see above) there will be enhanced potential for EU operators in many areas. These areas would include green and blue economy development through value chain development in agroforestry, carbon certification, sustainable fisheries (which could address problems caused by IUU fishing), aquaculture, biodiversity conservation, protection and restoration of conservation areas, protected area management (Northern Timorese waters belong to the coral triangle), internet-based services (connectivity including submarine cables), and the tourism sector.

iii. Promote green development, renewable energy and climate action in Timor-Leste. Related SDG 1, SDG 2, SDG 5, SDG 7, SDG 13, SDG 14, SDG 15.

Timor-Leste has published its National Adaptation Plan (NAP) in March 2021, which also serves as an Adaptation Communication under the United Nations Framework Convention on Climate Change. This MIP specific objective on climate is aligned with these priorities. The NAP will serve as the umbrella plan of action for adaptation, embracing all other relevant national plans, sectoral strategies and plans at various subnational levels. It includes priority projects and programmes which have been identified from the Green Climate Fund country programme, the intended nationally determined contribution and include those priorities identified in the National Adaptation Programme of Action that have yet to be implemented. The NAP has a tourism sector adaptation programme that includes support for climate-resilient tourism resources and to strengthen the market for climate-resilient nature-based tourism.

At the same time, forest cover (a main touristic asset) in Timor-Leste has steadily declined since the 1970s and the current deforestation rate is estimated to be about 1.3% per annum. A major driver is the conversion of forest to agricultural land, but poor practices make this transformation inefficient and overly costly. Timor-Leste is affected by climate change, but its environment infrastructures and policies are incipient, as is the incorporation of environmental sustainability in projects.

Timor-Leste is heavily dependent on oil and gas, not only as a source of income as a gas exporting country, but also because all electricity generated in the country comes from diesel-burning generators. The current government has repeatedly expressed the will to develop renewable energy and, as reflected in the conclusion of the recent political dialogue of 28 January 2021, the EU stands ready to support those renewable energy policies.

2.1.2. Expected results per specific objective:

i. Promote green and sustainable economic diversification in Timor-Leste through private sector development, technical and vocational education training (TVET) for youth integration in the labour market, and digitalisation. Related SDG 1, SDG 2, SDG 5, SDG 7, SDG 8, SDG 9, SDG 10, SDG 13, SDG 17.

Promote an economic transformation that creates decent jobs and increases productive capacity (SDG8, SDG 9, SDG 16, SDG 17): sustainable, more environmentally-friendly production cycles will be established, industry sectors with potential for development and sustainable production and consumption will be identified and promoted. The availability of credit (including microcredits) will be improved through bank guarantees. In the time-framework of the MIP and according to the Economic Recovery Plan “There is no other sector that can generate the level of development and employment opportunities for so many families as agriculture”. At the same time, it is the only sector that can provide a realistic source of income for the country as export or import substitution.

Meet the specific needs of youth, particularly young women and girls, by increasing quality employment and entrepreneurship opportunities (SDG8): Improved TVET will equip young people with the right skills to meet labour market needs and boost productivity. Therefore, there is a need to enhance the TVET system in close connection with the labour market or with employment opportunities.

ii Support Timor-Leste’s economic integration and trade in the South East Asia region (SDG 8).

Promote trade and regional integration (SDG8): support will assist Timor-Leste to economically integrate into the region and prepare for possible ASEAN membership, by working particularly to raise standards in the area of trade and industry including SPS, customs and border controls, facilitation of cross-border cooperation and export competitiveness. The signature of the Interim EPA will provide the opportunity to enhance the technical capacity of Timorese Authorities. Concrete ways to support Timor Leste intentions to sign the Interim EPA are being assessed now with support of Pacific regional programmes such as SPIRIT. Further actions and support could come as result of current engagements.

Inspiration would also be drawn from EU-ASEAN initiatives targeting the less developed ASEAN members (e.g. Lao PDR) and from a road map towards ASEAN membership expected to be made available by the ASEAN Secretariat.

iii Promote green development, renewable energy and climate action in Timor-Leste (SDG 1, SDG 2, SDG 5, SDG 7, SDG 13, SDG 14, SDG 15).

Support the conservation and sustainable management and use of natural resources, biodiversity and ecosystems (SDG 14 and SDG15): promote conservation of natural resources/national parks and ecotourism. Conservation of natural resources will be encouraged through sustainable consumption and production patterns aiming at improving the overall environmental performance of practices and products throughout their life cycle, stimulating demand for more environmentally friendly products and supporting consumers make informed choices based on environmental performances. Ecotourism will be stimulated through the protection and restoration of conservation areas, and biodiversity, including marine biodiversity.

Improve access to energy for all and increased energy efficiency and renewable energy generation (SDG7): improve the energy efficiency of the Timorese energy system, facilitating the implementation of energy policies that would favour an energy mix with a higher share of renewable energy generation.

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 (SDG13): support the implementation of the National Adaptation Plan and the access to carbon credits will be further developed. Timor-Leste will be supported in meeting its Nationally Determined Contributions (NDCs), and in reducing its vulnerability to disasters caused by climate change.

2.1.3. Indicators (including baseline and targets), per expected result

Indicators, as a statement of main expected results, are taken from the Revised EU International Cooperation and Development Results Framework in line with the Sustainable Development Goals of the 2030 Agenda for Sustainable Development and the New European Consensus on Development. See Attachment 1: Intervention Framework.

2.1.4. Possible use of blending and guarantees for investment under EFSD+

As in many countries, access to finance for the private sector is a major challenge. In Timor-Leste this is especially relevant given that land property issues linked to land registration prevent many entrepreneurs to scale up their businesses due to a lack of collateral.

The Project Preparation Facility financed through IFP (Investment Facility for Pacific) and, implemented by the European Investment Bank, is currently analysing the possibility of lending in the agroforestry business.

On the contrary, sovereign lending is not an issue given the size of the Petroleum Fund. Indeed, Timor-Leste has a very low external public debt (around US \$ 200 million according to WB figures from October 2020), and most investment projects are financed through the Petroleum Fund.

Sustainable finance represents a real potential in the region and could help accelerate financial flows towards green, inclusive and resilient transitions, e.g. through green bonds and other relevant sustainable finance instruments.

2.2. Priority area 2: Good governance for sustainable development

Indicative sectors:

- Government and civil society-general (DAC code 151)
- Other social infrastructure and services (DAC code 160).

Timor-Leste has made remarkable progress in just over a decade in establishing and consolidating the institutional framework to strengthen good governance and the rule of law; nevertheless, capacity building remains a significant challenge to ensure fully functional and effective state institutions. The shortage of qualified and skilled people, language barriers, and the absence of effective capacity building strategies represent major challenges to ensuring fully functional and effective state institutions. The SDP identifies the strengthening of the institutional framework for governance as a key pillar for social and economic development.

The EU has played a major role in supporting the building of the nation and in the implementation of democratic principles and the rule of law across the country but further support is required given the continuing lack of capacity of many institutions. Government transparency plays an important role in creating conditions for citizens to participate in policy deliberations, to make informed choices at the ballot box and to hold government, parliamentary representatives and public officials to account. Access to information also plays a major role in the fight against corruption. Overall, citizens who are better informed can contribute to the strengthening of good governance and democratic decision-making. Increased participation of the media and CSOs in the country's future development is of vital importance.

The reform of the justice system represents a major challenge due to its complexity and the relevance it has for the functioning of the whole system. The EU, together with Portugal, has been supporting reforms in this area since independence. The justice system continues to be plagued by lack of communication between defendants and judges regarding issues such as timely explanation of decisions. Lack of witness protection and juvenile incarcerations are also widespread problems. Ensuing tensions and acrimony can lead to the outbreak of violence and "vigilante" justice by frustrated communities seeking justice. Monitoring NGOs stress that a Supreme Court does not exist and the Court of Appeals carries out its functions. Traditional systems of justice continue to provide convenient and speedy reconciliation proceedings with which the population often feels comfortable.

The justice system is stretched beyond its limits, due to weak technical and financial capacity, and human rights concerns are often raised relating to the lack of fair trials and excessive use of force by the police. Challenges concern abuse, high level of malnutrition, and lack of education, in addition to child abuse, corporal punishments and sexual violence. The language barrier also prevents access to justice (legislation is mainly drafted in Portuguese, while both Portuguese and Tetun are the main languages used in the judicial system). A large part of the population has no command of Portuguese. Community leaders try to help to resolve incidents together with the support from the national police. Timor-Leste has also taken important measures to combat money laundering and financing of terrorism but there have been incidents of illicit flow of goods to the country.

Improvements in Public Finance Management (PFM) are essential for enhancing public policy efficiency as it contributes to better resource allocation and service delivery. Improved transparency and accountability also contribute to combating corruption. The continuous strengthening of the supreme audit institution, as well as the strengthening over time of the internal audit system, which started recently, will also be an important element in the fight against corruption.

Timor-Leste's commitment to human development and social protection is explicit in the country's Constitution and policies. Since its independence, Timor-Leste has achieved substantial progress on a number of SDGs, including a reduction of the under-five mortality rate, improved access to drinking water and access to basic education. However, rapid economic growth has not been fully accompanied by improvements in living conditions and many challenges remain in poverty indicators, employment opportunities, education and health (including a very high prevalence of stunting among children under five, child and maternal mortality, tuberculosis rates and poor water and sanitation networks). In 2016, 30.7 per cent of the population lived on less than \$1.90 per day. Progress is slower in rural areas and uneven among municipalities. Even a significant percentage of people living above the poverty line are usually not far from it – more than 90 per cent of the population lives on income that is less than \$5 per day. Households from all income levels frequently experience difficulties to satisfy basic needs, such as nutrition, education, health care and housing.

Given the low level of social development of the Timor-Leste and a relatively high rate of poverty, social protection can support an inclusive post-pandemic economic recovery, namely through a possible extension of coverage and increasing its adequacy.

Timor-Leste has the world's third highest stunting rate and the fourth highest prevalence of underweight children under the age of five. Food insecurity is clearly reflected in the poor nutritional status of children and women, which is also linked to bad care, poor sanitation and hygiene conditions and traditional feeding practices. The SDP, the Health Sector Strategic Plan 2011-2030 and the National Nutrition Strategy 2013-2018 all recognise the magnitude of the malnutrition problem and highlight the importance of promoting food security and nutrition. In 2020, nearly half of all children under-five (47.1%) were stunted - the third highest stunting prevalence in the world - according to an EU-supported survey carried out by UNICEF and the Ministry of Health. Inadequate infrastructure, financial problems encountered by most families and poor capacity among teachers remain open issues affecting primary education.

Timor-Leste has recently achieved progress in electoral reforms, including reforms in line with the recommendations made by the EU Election Observation Mission (EOM) to the presidential and legislative elections in 2017 and EU Election Expert Mission (EEM) to the legislative elections in 2018. Progress was made *intra alia* on transparency, civic and education activities as well as on women's participation, with Timor-Leste currently having one of the largest representations of women parliamentarians in the Asia-Pacific region. The authorities have shown strong commitment and interest in engaging further on democratic reforms. Still, the country is seen by the Economist Intelligence Unit's Democracy Index as a "flawed democracy" and its Democracy Index has stalled in recent years. Implementing a comprehensive legal reform, restoring the supervisory role of the Election Management Body (National Election Commission – CNE) and ensuring a level-playing field in the political campaign are possible areas of improvement.

2.2.1. Specific objectives related to the priority area 2

i. Strengthen democracy, the rule of law and governance, including e-governance. Related SDG 1, SDG 5, SDG 9, SDG 16, SDG 17.

The implementation of the ongoing reforms that the Timorese Government is carrying out need support not only from the EU, but also from other development partners. The support to Public Finance Management that the EU has provided through budget support has been widely acknowledged as a key trigger of the ongoing reforms and has allowed intense policy dialogue with the Government. There is a need to continue supporting these reforms and more specifically to supervise part of them and to ensure that the right system of checks and balances is effective. Supporting the capacity of the government to provide public statistics data, to prepare transparent and clear annual budgets and the effective planning of resources through a Multiannual Financial Framework will be part of the objectives of the actions. The effective role of the supreme audit institution, the functioning of the relevant Parliamentary committees or the capacity of civil society to assess the credibility of the government proposals will also be upgraded. The capacity of various layers of society to understand and discuss budget issues will also be strengthened.

Reform of the justice sector will also be considered, as it is a key element for the success and sustainability of the actions that will be prepared under the “Green and sustainable economic recovery and development”. Areas such as the dispute resolution mechanisms and commercial courts systems require strengthening to facilitate investment opportunities and legal safeguards for investors will be promoted. At the same time, the reform of the land registration system will be supported to allow the use of land titles to access financing.

Another important aspect of public sector reform will be migration management, as this is a fundamental aspect linked to economic diversification and social well-being. On the one hand, managing a proper and technologically advanced system of registering inflows is a key element for facilitating visas and the development of a tourism industry. For the time being, such development needs skilled workers, and until the TVET system is fully functional in Timor-Leste, they have to come from neighbouring countries. On the other hand, Timor-Leste’s unskilled workers have traditionally been going to Australia and Korea as seasonal workers and to Europe (mainly UK) for medium-term work opportunities.

A last element of the public sector reform would be continued electoral assistance to institutions and stakeholders involved in electoral processes, with the aim to consolidate democratic governance in line with the recommendations of the report from the EU Electoral Observation Mission of 2017 and the Electoral Expert Mission of 2018.

ii. Strengthen social inclusion and nutrition in Timor-Leste. Related SDG 1, SDG2, SDG 3, SDG 5, SDG 16, SDG 17.

EU support related to social inclusion aims at making a more effective use of the available resources. Social protection makes up a large part of Government expenditures but it so far it not resulted in a significant reduction of the level of poverty. The need to have consistent long-term policies that can deliver over time together with the improvement of institutional capacities and budgetary commitments is a cornerstone of any support in this area. Over time, international partners have devoted resources to build capacities and to strengthen the Government’s ability to deliver on social inclusion, but these capacities need to be further strengthened.

In the nutrition area, the objective is to adopt a multi-sectoral approach. It is widely recognised that addressing nutrition issues cannot be only from a health or a food production perspective. So far, the malnutrition levels in Timor-Leste have not been decreasing proportionally to the resources that have been allocated. Further efforts must be made to align actions in this area.

2.2.2. Expected results per specific objective

i. Strengthen democracy, the rule of law and governance, including e-governance. Related SDG 1, SDG 5, SDG 9, SDG 16, SDG 17.

Strengthen domestic and other revenue mobilisation, public expenditure management and increased efficiency and effectiveness of public expenditure in partner countries (SDG 1, SDG 16): support the public finance management and administrative reform to deliver on specific areas of the Economic Recovery Plan, such as strengthening Domestic Revenue Mobilisation policies and budget oversight mechanisms. The EU will enhance the digital capacity of Timor-Leste to enable it to take full advantage of the digital revolution, including e-governance.

Support accountable and transparent institutions, inclusive, transparent and credible elections and a pluralist democratic system (SDG16): support to free and fair elections based on the recommendations of the reports of the Election Observation Missions.

Support provision of fair justice, including access to legal assistance (SDG 16): improvement of the diversification of the economy and access to finance by addressing issues linked to land ownership and land registration. Access to justice by individuals and businesses will be facilitated by promoting and enhancing dispute settlement and contract enforcing mechanisms. At the same time, in order to be able to reduce inequalities and cater for the less favoured in society, specific needs of children, youth and women when in contact with the justice system will be addressed.

ii. Strengthen social inclusion and nutrition in TL Related SDG 1, SDG2, SDG 3, SDG 5, SDG 16

Reduce inequality of outcomes and promote equal opportunities for all (SDG 1, SDG 2, SDG3, SDG16): support to address key information elements for the management of social programmes. Data based support and use of digital technologies for monitoring social inclusion initiatives and data based policies are needed to deliver more effective and targeted support. Linkages to e-identification and single registry to ensure that all citizens are registered and can profit from social safety nets and for financial inclusion are important factors for those that are at a higher risk.

Pursue an end to hunger and malnutrition and systematically integrate resilience (SDG 2, SDG16): more effectiveness in the coordination mechanisms to address malnutrition, including the legal environment and the capacity of the government to ensure that nutritious food is effectively labelled as such. Government public campaigns and publicity are fundamental to address the mentality change needed to trigger the behavioural change that is required.

2.2.3. Indicators (including baseline and targets), per expected result

Indicators, as a statement of main expected results, are taken from the Revised EU International Cooperation and Development Results Framework in line with the Sustainable Development Goals of the 2030 Agenda for Sustainable Development and the New European Consensus on Development. See Attachment 1: Intervention Framework.

2.2.4. Possible use of blending and guarantees for investment under EFSD+

As mentioned in Priority area 1, sovereign lending is not an issue given the size of the Petroleum Fund. Given that this priority area is linked to governmental actions, a request for guarantees or for blending that could allow for lending in favourable conditions is not expected to come. Nevertheless, specific TA could be requested in the future to address possible actions linked to technological development in social areas.

2.3. Proposals of Team Europe Initiatives

Timor-Leste's Team Europe response is entitled "**A New Green Deal for Timor-Leste**". It will help establish a greener, more diversified and inclusive economy that would reduce inequalities. The response will be aligned with Government policy, and will support the implementation of a range of measures reflected in the Democratic Republic of Timor-Leste's own post-Covid Economic Recovery Plan. The EU will become the reference partner for the implementation of the recovery plan by accelerating a transition towards a more diversified circular, climate-neutral economy and resilient ecosystem.

The Team Europe Initiative will focus, in close collaboration with Portugal, the only Member State present in Timor-Leste, on three interlinked themes:

1. Green and sustainable economic development and poverty reduction;
2. The environment, climate change, and energy;
3. Governance.

The themes have already been identified as the priority areas of the MIP, but they have been slightly rearranged based on the need to reflect a common approach and action with the only Member State present in the country. The themes also take into account the priority areas outlined in the Portuguese cooperation strategy with Timor-Leste and the specificities of the traditional bilateral cooperation between Portugal and Timor-Leste.

In the first theme, Portugal has a specific financial allocation in the bilateral programme of cooperation and a real TEI approach is sought on the basis of action that could be implemented together with financial resources both from the EU and Portugal, concentrating resources in an area such as education. A clear example where cooperation goes beyond the traditional delegated cooperation.

In the second theme, the TEI will build on the experience that Portuguese organisations³ and the institutions present in Portuguese speaking countries on developing renewable energy and setting the institutional foundations needed for a sustainable take-off of renewable energies and make them solid and reliable. The TEI brand will be attached to specific expertise. The second pillar will also focus on climate change mitigation and adaptation through sustainable agriculture, carbon credits and renewable energy, as well as on conservation of natural resources and ecotourism.

In the third theme, the peer-to-peer transfer of knowledge, values and experience will be key to develop the TEI concept. This is especially relevant in the areas of justice, auditing and social protection where there are already existing exchanges between Portuguese institutions and their

³ Such as ALER (Associação Lusófona de Energias Renováveis) that is successfully working in Cabo Verde, Mozambique, etc.

Timorese counterparts. These relations that are based on bilateral agreements between ministries could be further developed and included under the TEI concept, while at the same time they could be an excellent support to the long term development of the priority areas of the MIP.

1. Green and sustainable economic development and poverty reduction

- Income generation in rural areas and value chain development: income opportunities in rural areas will be created through the promotion of livestock, inland fisheries, and spices and forestry value chains, enhancing private sector opportunities. Improved TVET will equip young people with the right skills to meet labour market needs.
- Sustainable economic diversification and private sector development: sustainable, more environmentally-friendly production cycles will be established, and industry sectors with potential for development and sustainable production and consumption will be identified and promoted. The availability of credit (including microcredits) will be improved through bank guarantees.
- Investment climate (including legal certainty and land titles): legislation will be improved, procedures will be streamlined, and corruption will be tackled.
- Regional integration: support will help the Democratic Republic of Timor-Leste to prepare for ASEAN membership, by working particularly to raise standards in the area of trade and industry including SPS, customs and border controls, facilitation of cross-border cooperation, and export competitiveness. Inspiration would be drawn from EU ASEAN initiatives targeting the less developed ASEAN members (e.g. Lao PDR).

2. The environment, climate change, and energy

- Climate change mitigation and adaptation through sustainable agriculture, carbon credits and renewable energy: carbon credits will be further developed, the Democratic Republic of Timor-Leste will be supported in meeting its NDCs, and renewable energy (using European technologies) will be developed.
- Conservation of natural resources/national parks and ecotourism: ecotourism will be stimulated through the protection of conservation areas and biodiversity, including marine biodiversity.

3. Governance

- Public Financial Management will be improved.
- Digitalisation: Timor-Leste's capacity to take full advantage of the digital revolution in all areas, including e-governance, will be enhanced.
- Civil society's capacity to hold Government to account will be strengthened.

The TEI will make use of almost every implementing modality such as Budget Support, Delegated Cooperation, and Twinning. There is also the possibility to use MS specialised bodies for specific technical assistance, and specific innovative actions promoted by the JRC could be used, including earth observation tools. The European Union Delegation to Timor-Leste, in collaboration with Portugal, will develop closer work and foster relationships between Timorese Civil Society and Local Authorities with European counterparts to develop expertise in areas such as gender equality and woman integration, and will build on the work done already with the EIB to facilitate access to finance for private entrepreneurs and to promote job-creating actions.

Under this MIP, all actions under priority area 1 (Green and sustainable economic recovery and development) and half of the activities under the priority area 2 (Good Governance for

Sustainable Development) as well as of the Support Measures will implement one or more of the components of this TEI. Therefore the related funding will total an indicative amount of 37 Mio EUR or 67 % of the budget of this MIP for the period 2021-2024.

The EU's indicative contribution to this TEI (EUR 37 million) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

3. Support measures

3.1. Measures in favour of civil society

Based on the EU Roadmap for Engagement with Civil Society in Timor-Leste, the EU will support civil society efforts to promote Green and sustainable recovery and development, human rights, gender equality, and peace building.

The EU and Member States (in particular Portugal and France) will give support to CSO to implement projects through calls for proposals/direct grants, CSOs and Human Rights and Democracy allocations, the Spotlight Initiative, NDICI and small grants from MS. An 'open door approach' will be assured, so the EU is available to meet with CSOs to discuss topics of interest related to the fundamental values of peace, freedom, equal rights, and human dignity in Timor-Leste.

The EU will share information in a clear, timely and regular manner (i.e. reports, studies, roadmaps, calls for proposals, consultations/follow-ups, currently funded projects, training courses, webinars, forums, events, strategy and programming processes), using all available and accessible communication channels, including online tools.

EU CSO structured dialogues will include sessions led by a CSOs to present a relevant topic (i.e. research, study, hot topic, assessment) to promote peer-to-peer learning and useful debate. The technical and organisation capacities of local CSOs engaged in promoting Green and sustainable recovery and development, human rights, gender equality, and peace building linked to the Commission related priorities (green deal, and governance, peace and security) will be strengthened.

3.2. Cooperation facility

Based on the experience of previous programmes, a cooperation facility is foreseen to support:

- Capacity development and institutional building, including through technical assistance and exchange of public expertise, such as Twinning;
- Policy dialogues: events, conferences, studies, fellowships, exchange of platforms to support sector dialogues leading to policy reforms and engagement with governments and other stakeholders;
- Team Europe and general donor coordination;

- The participation of Timor-Leste in EU Programmes and in cooperation with EU Agencies;
 - Effective communication, including strategic communications, the fight against disinformation, and visibility actions relating to EU cooperation and public diplomacy interventions to promote EU policies, as well as its multilateral agenda in Timor-Leste ;
 - The preparation, implementation and evaluation of the EU cooperation, including via technical assistance;
- The Cooperation Facility will support initiatives in line with the ambitions of the EU’s Strategy for the Indo-Pacific.

4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Timor-Leste and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only.

The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Timor-Leste and is planned to take place in 2024.

Priority area 1: Green and sustainable economic recovery and development	EUR 25 mio	45 %
Priority area 2: Good governance for sustainable	EUR 22 mio	40 %
Support measures	EUR 8 mio	15 %
TOTAL for initial period 2021 - 2024	EUR 55 mio	100 %

Attachments

1. Intervention framework
2. Donor matrix showing the current indicative allocations per sector

Attachment 1. Intervention framework

Priority area 1: Green and sustainable economic recovery and development		
Specific objective 1.1: Promote green and sustainable economic diversification in TL through private sector development, technical and vocational education for youth integration in the labour market.		
Expected Results (from EU Res. Fram.)	Indicators (from EU Res. Fram.)	Baseline & targets

1.1.1 Promote an economic transformation that creates decent jobs and increases productive capacity	1.1.1. -Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support	Target: 100 Base Line: 0 SOV: Project evaluation and Statistics from Ministry of Trade
1.1.2 Meet the specific needs of youth, particularly young women and girls, by increasing quality employment and entrepreneurship opportunities	1.1.2. -Number of people who have benefited from institution or workplace based VET/skills development interventions supported by the EU, disaggregated for digital skills and gender	Target: 2000 Base Line: 0 SOV: Project evaluation and Statistics from SE for Vocational training
1.1.3 Support sustainable agriculture and fisheries, especially for smallholders	1.1.3 Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land	Target: 500 Base Line: 0 SOV:Project evaluation and Statistics from Ministry of Agriculture
Specific objective 1.2 Support TL's economic integration and trade in the South East Asia region.		
Expected Results	Indicators	Baseline & targets
1.2.1 Promote trade and regional integration	1.2.1 Number of processes related to partner country practices on trade, investment and business, or promoting the external dimension of EU internal policies or EU interest, which have been influenced.	Target: 3 (WTO, Pacific EPA, ASEAN) Base Line: 0 SOV:WTO, DG Trade and ASEAN reporting

Specific objective 1.3 Promote green development, renewable energy and climate action		
Expected Results	Indicators	Baseline & targets
1.3.1 Support the conservation and sustainable management and use of natural resources, biodiversity and ecosystems	1.3.1 Areas of terrestrial and freshwater ecosystems under a) protection b) sustainable management with EU support	Target: 1000 has Base Line: 0 SOV: Project evaluation and Statistics from Mins of Agriculture and SE Environment
1.3.2 Improved access to energy for all, and increased energy efficiency and renewable energy generation	1.3.2 Number of individuals with access to electricity with EU support through: a) new access, b) improved access	Target: 2000 Base Line: 0 SOV:Project evaluation and Statistics from SE Environment

<p>1.3.3Implement the 2030 Agenda and the Paris Climate Change Agreement through coordinated and coherent action that promote resilience, reduce climate risk, and contribute to reduce greenhouse gas emissions</p>	<p>1.3.3 Greenhouse Gas (GHG) emissions avoided (tonnes CO₂eq) with EU support</p>	<p>Target: 1.0 Mt CO₂e Base Line: 0 SOV: Project evaluation and www.Climatechangedata.org (CAIT data)</p>
---	--	---

Priority area 2: Good governance for sustainable development		
Specific objective 2.1: Strengthen democracy, the rule of law and governance, including e-governance.		
Expected Results	Indicators	Baseline & targets
2.1.1 Support accountable and transparent institutions, inclusive, transparent and credible elections and a pluralist democratic system	2.1.1 Number of recommendations for electoral reforms made by EU election missions implemented	Target: TBD based on the Election mission to take place in March 2022 Base Line: 0 SOV: Report from election observation and follow up missions
2.1.2 Strengthened domestic and other revenue mobilisation, public expenditure management and increased efficiency and effectiveness of public expenditure in partner countries	2.1.2 Number of EU funded initiatives supporting the implementation of political economic and social reforms and joint agreements in partner countries	Target: 3 Base Line: 0 SOV: Evaluation of MIP implementation and regular EAMR reporting
2.1.3 Support provision of fair justice, including access to legal assistance.	2.1.3 Number of people directly benefiting from legal aid interventions supported by the EU	Target: 500 Base Line: 0 SOV: Project's evaluation and reporting from the Ministry of justice
Specific objective 2.2: Strengthen social inclusion and nutrition in TL.		
Expected Results	Indicators	Baseline & targets
2.2.1 Reduce inequality of outcomes and promote equal opportunities for all	2.2.1 Number of individuals directly benefiting from EU supported interventions that aim to reduce social and economic inequality	Target: 5000 Base Line: 0 SOV: Project's evaluation and reporting from the Ministry of Social Affairs
2.2.2 Pursue an end to hunger and malnutrition and systematically integrate resilience	2.2.2 Number of women of reproductive age, adolescent girls and children under 5 reached by nutrition related interventions supported by the EU	Target: 100.000 Base Line: 0 SOV: DHS or UNICEF Food and Nutrition Survey (TLFNS)

Attachment 2: Donor Matrix: Development Partners support per sector according to the Timorese Strategic Development Plan Sub-Pillars in 2017 - 2020

Legend for the EU priority sectors: Green and sustainable economic recovery and development Good governance for sustainable development

Donor Group (US\$ millions)	Social Capital					Infrastructure Development						Economic Development				Institutional Framework					SDP Undefined	TOTALS			
	Education and Training	Health	Social Inclusion	Environment	Culture and Heritage	Roads and Bridges	Water and Sanitation	Electricity	Telecommunications	Sea Ports	Airports	Rural Development	Agriculture	Tourism	Private Sector Investment	Security	Defense	Foreign Affairs	Justice	Public Sector Management and Good Governance			National Development Agency and Economic Policy and Investment Agency		
Australia	29.21	41.52	14.91			13.69	7.50					22.23	12.14		5.08	14.03		0.11	1.43	32.96				1.69	194.81
Japan	16.42	5.13	2.67	3.26		10.77	1.21			21.21	0.36	1.54	6.55			2.00			0.81	3.19				1.69	76.81
United States	5.77	6.98	0.42	0.22			0.83						15.56	6.49		0.29			0.59	11.38				1.13	49.68
United Nations	11.45	28.63	3.22		0.02								1.29			0.03			0.62	3.37				0.65	49.29
Portugal	37.22	0.20	1.63		0.52		0.57						0.52			1.13	2.29		0.91	1.11				0.70	46.78
European Union	0.02	9.19	0.55	0.74	0.03	12.80						0.04	8.20	0.13				0.03	1.35	11.69				1.36	46.13
New Zealand	12.82		0.00	0.02								0.18	10.66	0.82	0.00	4.89				0.33					29.73
FUND		17.93		10.50			1.01						0.11												29.55
Korea	5.81	6.68		2.54															1.38	3.44					19.85
Germany	2.54	0.24	4.74		0.02					4.33		1.53	1.94											1.54	16.88
Asian Development Bank Group	1.33					4.41	3.48	1.00			0.22		0.11		0.41			0.50		0.28				1.43	13.17
World Bank Group	0.46	1.04	0.13			0.80							6.12	0.18	1.01					0.67	0.04	0.35			10.81
China	6.50	1.20																							7.70
Others	0.04	0.01	0.00	0.01			0.01	0.01							0.00				0.00					0.01	0.09
Totals	129.60	118.76	28.26	17.28	0.58	42.46	14.62	1.00	0.01	25.54	0.57	25.52	63.21	7.62	6.50	22.37	2.29	0.64	7.10	68.42	0.04	8.86		591.28	