

United Nations Development Programme

Country: Timor-Leste

Project Document

Project Title:

**Support to Institutional Development of Oe-Cusse
Special Administrative Region and ZEESM**

UNDAF

Outcome(s):

Outcome 1: By the end of 2019, people of Timor-Leste, especially the most disadvantaged groups, benefit from inclusive and responsive quality health, education and other social services and are more resilient to disasters and the impacts of climate change.

Outcome 2: By 2019, state institutions are more responsive, inclusive, accountable and decentralised for improved service delivery and realization of rights, particularly of the most excluded groups.

**Expected
Outcome(s):**

CP

Outcome 1: State institutions strengthened through interventions aimed at improving institutional capacity in planning, accountability and transparency;

Outcome 2: Vulnerable groups have improved access to livelihoods.

**Expected
Output(s):**

Pillar I: Efficient, effective and agile regional administration in Oe-Cusse;

Pillar II: Sustainable and innovative frameworks to develop the Oe-Cusse economy and to develop their linkages with the ZEESM

Implementing Agencies:

UNDP

Brief Description

The establishment and operationalisation of the Special Regional Administration of Oe-Cusse and the Special Economic Zone for Social Market Economy (ZEESM) requires a range of interventions, investments and preparatory work to build institutional, policy and legal frameworks leading up to the establishment of the ZEESM. There are also imperatives for inclusive economic and social development, with a need to develop not just the Zone economy inside the designated Zone area, but the economy outside of the Zone in the whole of Oe-Cusse and to establish forward and backward linkages between the two, as well as with the rest of Timor-Leste and the region. In addition, there is a need to provide for an institutional arrangement that facilitates and enables ZEESM managers to respond with agility and flexibility to evolving, emerging and immediate needs.

This Project provides a strategic approach to addressing all three needs. It identifies key issues, gaps and priorities and provides a streamlined implementation design. The projects aims to: (i) lay the foundations for an efficient, effective and agile regional administration in Oe-Cusse; and (ii) put in place sustainable and innovative frameworks to develop the Oe-Cusse economy and to develop its linkages with the ZEESM.

Programme Period:	2015-2017
Key Result Area (Strategic Plan) Outcome 1 & 2	
Atlas Award ID:	
Start date:	January 2015
End Date	December 2017
PAC Meeting Date	
Management Arrangements	DIM

Total resources required	\$4.2 Million
Total allocated resources:	\$2.45 Million
• Regular (UNDP)	\$200 Million
• Other:	
○ Government	\$2.25 Million
○ Donor	-----
Unfunded budget:	\$ 1.75 Million
In-kind Contributions	_____

Agreed by: President, Special Administrative Region of Oe-Cusse Ambeno and ZEESM

Agreed by UNDP: Country Director a.i. UNDP

I. SITUATION ANALYSIS

Timor-Leste has been making steady progress towards socio-economic growth, but challenges abound. In the wake of relative political stability since 2006, Timor-Leste has strengthened its democratic process through successful conduct of elections and political transition in 2012, progressed to an official classification of a lower-middle income country with per capita income of \$5,446, articulated its developmental vision through a National Development Strategy, demonstrated clear political commitment to social protection and embarking on a range of governance and public finance reforms. Yet, these positives mask the stark reality of low non-oil income, a very high poverty rate (almost 50%), double digit inflation especially food inflation that directly impacts the poor, high dependency rates resulting from the demographic profile, high youth unemployment and institutional structures and systems that need to be strengthened.

These challenges are visible nowhere more so than in Oe-Cusse district. An enclave nestled within Western Timor province of Indonesia and with an estimated population of 70,000, Oe-Cusse's developmental challenges are deepened due to its geographical location, weak and very basic institutional base and low public investments in services, making efficient governance difficult at best. To address these challenges in a concerted way and drawing on a Constitutional provision that accords special status to Oe-Cusse, stating that it shall be 'governed by a special administrative policy and economic regime' (Article 71, Clause 2), on 16th June 2013, a resolution was passed by the Government through the Council of Ministers, authorising Dr. Mari Alkatiri, the first elected former Prime Minister of Timor-Leste, to lead the establishment of Special Zones of Social Markets Economy (ZEESM) in Oe-Cusse: subsequently, the Council of Ministers also included the island of Atauro as part of the ZEESM initiative. Upon the grant of this mandate, a ZEESM office was established by Government. The ZEESM office entered into a deep engagement with the UNDP, seeking its assistance in developing a program that helps conceive, establish and support governance structures and systems in Oe-Cusse that will help realise the aim of socio-economic development in the enclave. UNDP responded immediately through mobilisation of a Policy Advisor for ZEESM. With the promulgation of a Law establishing the Oe-Cusse Special Administrative Region (SAR) in July 2014 and the appointment of Dr. Alkatiri as the President of the SAR, there is a need for a more long term, programmatic and structured mode of supporting both the initiative. This document outlines a framework for support in priority areas for the Oe-Cusse SAR and ZEESM, including a structured support for governance and institutional set up and an innovation for integrated rural development that have clear and strong, backward and forward linkages to the Oe-Cusse ZEESM.

As identified in the recently published situation analysis on socio-economic conditions in Oe-Cusse¹, the task of establishing a Special Economic Zone is confronted with a range of economic, social development and institutional challenges. The Oe-Cusse economy is characterized by very high unemployment, subsistence farming, small-scale fishing and limited cattle trade. Despite the reliance on agriculture, Oe-Cusse suffers from high levels of food insecurity while the Living Standards Survey of 2007 placed it at the bottom in terms of access to sanitation and among the lowest ranked districts in terms of access to electricity and drinking water. Financial inclusion is a major issue (Evaluation of UNDP COMPASIS, 2014) and efforts for community mobilization for poverty reduction have proven to be financially unsustainable (Report on Community Mobilization for Poverty Reduction, UNDP 2006). Banking services in Oe-Cusse are very limited and lending—what little that does take place—is at a prohibitive 16-18% APR. Financial inclusion is a major issue and although Savings Groups target women and effectively involve local traditional leaders², efforts for community mobilization to reduce poverty have proven to be financially unsustainable³. Yield on crops is low, due partly to the terrain (40% of land in Timor-Leste is very steep, mountainous and largely infertile), and also because of use of traditional farming practices and low-yield seeds, a poor irrigation system and variable rainfall. With poor farm-to-market connectivity, weaknesses in the agriculture extension services, absence of breeding, veterinary and livestock training centers and

¹ Oe-Cusse Special Economic Zones of Social Market Economy: First Steps towards a New Oe-Cusse, Oe-Cusse ZEESM Office, 2014

² Evaluation of UNDP COMPASIS, 2014

³ Report on Community Mobilization for Poverty Reduction, UNDP 2006

inadequate facilities, support services and regulatory mechanisms for fisheries, rural livelihoods are caught in a logjam. Moreover, the environmental risks for Oe-Cusse's economy are no less worrying: 52% of forest cover in Oe-Cusse is under the threat, mainly due to the traditional 'slash and burn' farming practices; the current sea level in Timor-Leste has increased by 9 mm each year since 1993 and a major flood in 2006 in Oe-Cusse destroyed homes, farms and livestock; and sandalwood, which has high export potential is endangered due to deforestation. In addition, the business environment in Timor-Leste is constrictive at best, with Timor-Leste being the worst place in the world to do business in terms of contract enforcement, resolving insolvency and land registration⁴. Yet, the fact that there are 275 SMEs and 314 microenterprises in Oe-Cusse⁵, points to an opportunity for harnessing, grooming and facilitating entrepreneurship for lifting Oe-Cussians out of poverty. The Microenterprises in particular have grown quickly, with 121 newly established, but their scaling up is severely hampered by lack of access to credit and little or no capacity for business planning. With education attainment very low, no vocational and technical education training facility in Oe-Cusse and budgetary constraints preventing the Secretariat of State for Vocational Training Policy and Employment (SEPFOPE) from delivering effectively on its mandate, the imperative for job creation and developing new solutions for arresting economic impoverishment in Oe-Cusse, is strong and imminent.

In addition to these economic challenges, several governance and institutional capacity imperatives exist. Gender inequities are evident in all aspects of social and economic life including in enrolment in education and access to health services. Public infrastructure for transport and communication is in a state of disrepair, and the institutional architecture for public services, regulation and coordination is under-resourced, incapable and ineffective. Governance is top-down, with all planning, budgeting and staffing decisions centralized, making accountability distant and difficult. Access to Justice is low, compounded by absence of land administration laws, while environmental management is failing on most counts, evidenced by high rates of deforestation. Moreover, the governance structures, competencies and systems are largely out of sync with the kind of modern, inclusive, accountable and responsive governance regime that the SAR and ZEESM would need, catering not only to communities but also to the private sector.

With grant of a special economic and administrative regime under discussion and finalization, there is an urgent need to:

- a. Develop legal, policy, institutional and fiscal frameworks leading to the establishment of the SAR and ZEESM;
- b. Design a governance model for management of the ZEESM;
- c. Develop the structure, functions and powers of an Oe-Cusse SAR;
- d. Develop models of decentralised governance within the regional administration linked to the operations of the ZEESM;
- e. Build institutional capacities for delivering more and better public services in a more accountable, equitable manner;
- f. Develop models, platforms and frameworks for sustainable, rural economy regeneration and supply chain creation through facilitating and enabling social entrepreneurs in agribusiness, ecobusiness and ecotourism subsectors;
- g. Design and establish institutional arrangements for skills-building and talent management to deepen and widen the local labour market;
- h. Put in place a transitional governance arrangement that lays the foundation for both the ZEESM and the Oe-Cusse SAR.

The projects objectives are to: (i) lay the foundations for an efficient, effective and agile regional administration in Oe-Cusse; and (ii) put in place sustainable and innovative frameworks to develop the overall Oe-Cusse economy and to establish their linkages with the ZEESM.

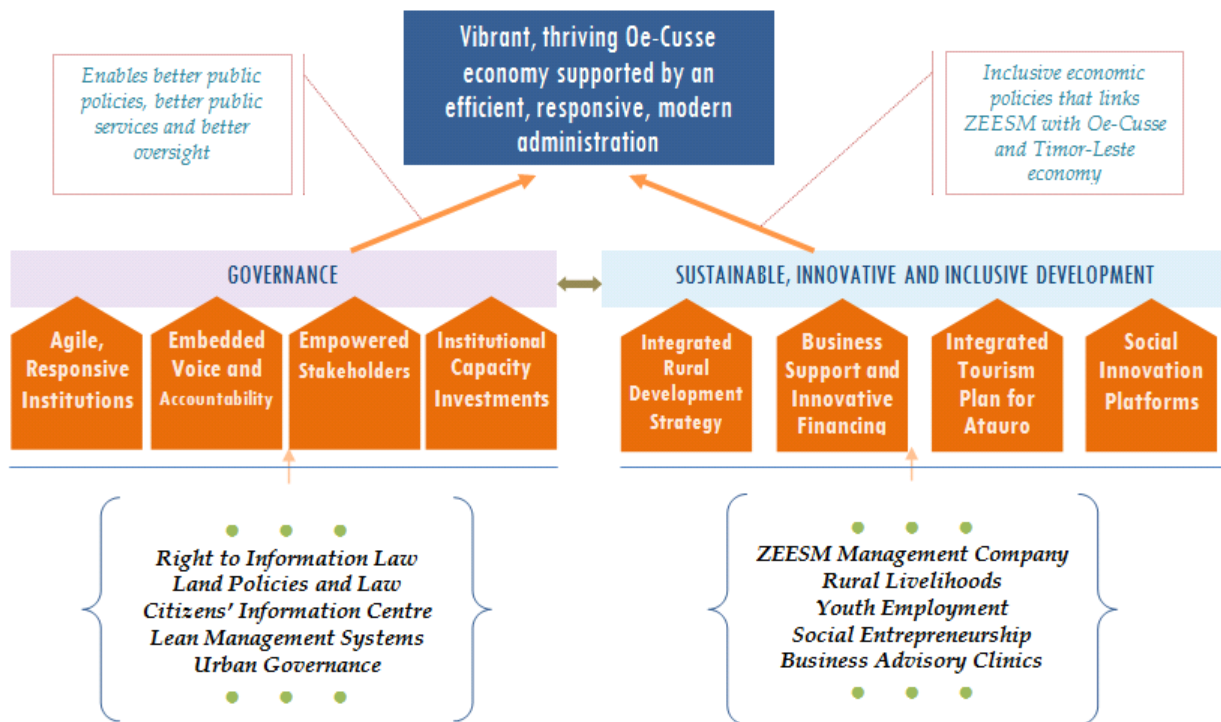
⁴ Doing Business Report, 2014

⁵ Oe-Cusse Social Economic Zones for a Social Market Economy: First Steps to a New Oe-Cusse, Oe-Cusse ZEESM, 2014

II. STRATEGY

The establishment of the Oe-Cusse SAR and ZEESM represents the political willingness and commitment to use new policy instruments and governance for poverty reduction and economic and social well-being in Timor-Leste. However, the efficacy of these new policy instruments is dependent on how deeply it contextualizes a broad spectrum of issues—e.g. political economy, governance and unemployment—and how smartly it shapes the pathway for change (Figure 1)

Figure 1: Oe-Cusse Pathway for Economic and Institutional Change



Special Economic Zones have been used as Policy Labs by a large number of governments, including China, home to some of the biggest success stories for economic zones⁶. The Oe-Cusse ZEESM is also intended to provide an opportunity for policy experimentation and for experiential learning. In doing so, it would offer fresh thinking on solving perennial problems. A key element of the proposed inputs and outputs in this document is the focus on employing a ‘platform’ as opposed to a ‘pipe’ approach. This implies:

- (i) Positioning the Oe-Cusse Special Regional Administration (SAR) as a public sector equivalent of a Business Accelerator and Connector, that provides technical advice, generates models and frameworks, invests in institutional capacities and provides seed capital to initiate implementation in some cases, and complete it in others;
- (ii) Developing Minimum Viable Products (e.g. a community owned and managed agriculture extension service in one Village as a form of Peer to Peer organisation), that can be scaled up and replicated subsequently across Oe-Cusse and the rest of Timor-Leste;
- (iii) Putting in place enabling support systems, practices and technologies including for effective governance, business plan development, access to finance and market connectivity;
- (iv) Harnessing the powers of partnerships to co-create and co-deliver public services;

⁶ Yeung, Y et al, China’s Special Economic Zones at 30, Journal of Economic Literature, 2009

- (v) Embracing social innovation as a means of addressing both social and economic needs e.g. through supporting social entrepreneurship to develop for-profit solutions to tackle impact of climate change on agriculture; and
- (vi) Leveraging existing resources, capabilities and opportunities in the private sector for economic growth.

The strategic framework for supporting the Oe-Cusse SAR and ZEESM is built around two components: **governance** and **sustainable and innovative development**. Both components would be financed through a combination of public sector, development partner and private sector funding, pooled under a single funding mechanism through contributions under this project. Similarly, there will be a streamlined management arrangement for project oversight and implementation.

I. Governance Component

Outputs under the Governance component are grouped under four key areas:

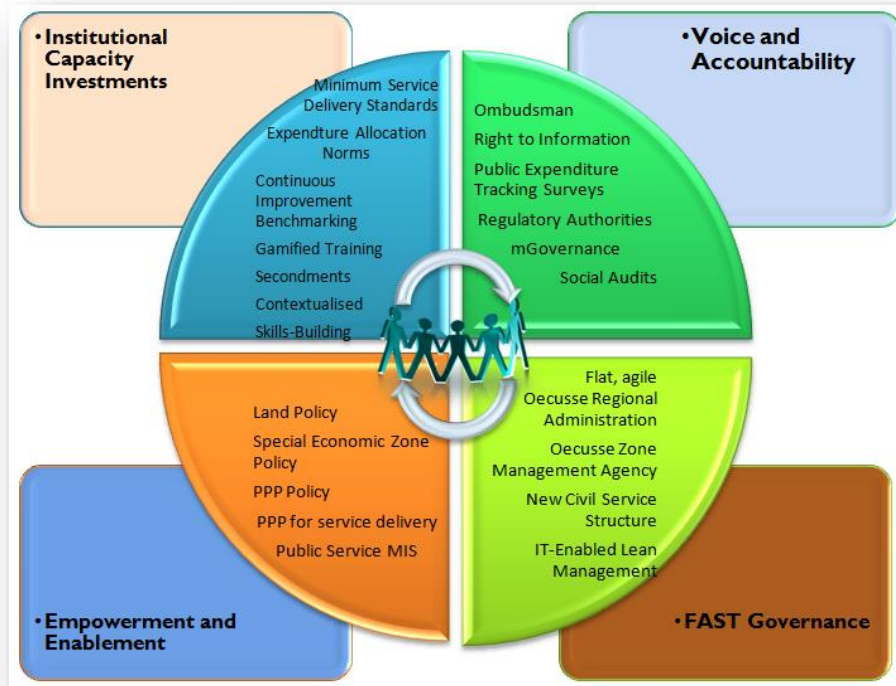
(a) Creating a **Flat, Agile, Streamlined and Tech-Enabled (FAST)** regional governance structure that **minimises hierarchical layers**, focuses on **policy innovation**, **creates a Facility** for meeting urgent implementation, technical advisory services and management support needs prior to the establishment of a Regional Administration and **leverages partnerships** for service delivery and poverty reduction;

(b) Investing in **Empowerment and Enablement** of the regional administration and the ZEESM through **appropriate legal, institutional and policy frameworks**, including for urban management, land management, zone management, targeted social development, social enterprise development and fiscal sustainability;

(c) Placing **Voice and Accountability** at the core of the governance models, both for the regional administration as a whole and for the Zone itself, through building **equitable, rules-based systems** for resource allocation and planning; integrating **digital democracy** into different aspects of governance including use of heat-mapped, real-time monitoring; **strengthening regulatory, grievance redress and citizen advisory services** and capacities; and **inducting informal institutions into formal planning** and oversight mechanisms; and

(d) Driving innovation, responsiveness and delivery through **Investments in Institutional Capacity**, **focusing on systemic issues** while adopting new modes of delivery such as gamification training techniques, scenario-based role playing and skills-building, advisory clinics, secondments and staff-exchange programs with select countries and organisations, and making data analytics and **IT-enabled public services** central to public sector operations, transparency and responsiveness. This capacity building will include building skills and putting in systems geared towards working with the private sector, particularly with respect to analysis of investment proposals, economic analysis and regulatory frameworks. Figure 2 provides a visualization of the framework for the Governance component.

Figure 2: Strategic Framework for Governance



II. Sustainable and Innovative Development and Integrated Tourism

The strategy for reducing poverty through a regeneration of the rural economy in Oe-Cusse and establishing their linkage with the ZEESM economy is focused on four areas:

- (i) Support *rural and inclusive development* for improved livelihood opportunities. This would include:
 - a. Formulation of a Rural Development Plan for integrated development of Oe-Cusse that benefits the women, poor, local farmers, small businesses and vulnerable groups
 - b. Implementation of Rural Development Plan
- (ii) Putting in place innovative *institutional arrangements, models and platforms for business advisory, information and support services* to promote, enable and facilitate social entrepreneurship in Oe-Cusse. These would include:
 - a. Supporting the creation of Business to Business (B2B) and Business to Consumer (B2C) marketplaces, both in offline and online forms, connecting businessmen to local, national and regional markets and networks, focusing on the four subsectors identified as the highest export potential, namely coffee, horticulture, livestock and grains and pulses⁷;
 - b. Setting up payment solutions and platforms through partnerships with local banks and mobile phone service providers, to support the B2B and B2C marketplaces;
 - c. Developing a model for 'grouppreneurism' or community business ventures at the suco level, as a entrepreneurship-cooperative model mashup. These would aim to build on the existing networks established through initiatives such as the Savings Groups under the INFUSE program and seek to leverage the influence of cultural ties, traditional leadership and community-based practices that establish mutually beneficial, productive economic networks

⁷ Expanding Timor-Leste's Near-Term Non-Oil Exports: Diagnostic Trade Integration Study (DTIS), World Bank, 2010

such as the ones that prevail for ‘informal seeds’⁸ to improve under the Seeds of Life program run by the Ministry of Agriculture and Fisheries⁹;

- d. Establishing a community-owned, commercially run agriculture extension service, in partnership with the Ministry of Agriculture and Fisheries (MAF), SEPFOPE and the private sector. Under this initiative, local farmers would set up a company, MAF and SEPFOPE would organize technical skills-building as agriculture extension officers and the private sector would advise on the relevance of the content, ensuring that latest technologies, innovations, practices and market-orientation are ingrained in the process. This would allow farmers to gain knowledge and information and improve yields, locals to obtain employment, and private commodity buyers to procure better quality produce; and
 - e. Establishing an Oe-Cusse Business Accelerator in partnership with local, national and regional partners in the private sector. This Accelerator would offer immersives, time-specific mentoring programs and bootcamps leading to creation of market-testable Minimum Viable Products (MVPs) coupled with micro startup investments;
 - f. Running Business Advisory Clinics in conjunction with a range of private, public and civil society partners. These clinics would aim to empower social entrepreneurs with requisite business acumen, imparting financial education, advise on market opportunities, assist in business plan development and offer guidance on scaling up, as well as sharing information on the developments on the Oe-Cusse ZEESM front and the networks, platforms and models described in (i) above;
 - g. In partnership with the mobile phone service providers and the relevant public sector organisations (Ministries of Agriculture and Fisheries; Commerce, Industry and Environment; Finance; Tourism; and SEPFOPE), set up three mobile phone-enabled services: mMeupLele (mAgri) targeting farmers, mMepu (mJobs) targeting the labor market and mBanku (mBank) to offer banking and other financial services to the general public. These services would be offered through SMS-based platforms (e.g. SMS based subscription services)—as well as Interactive Voice Response (IVR) platforms and would be used to offer a variety of services (e.g. call-ins to a Call Centre, call patching to a network of expert staff). For example, mMeupLele would provide farmers with commodity prices, weather information, guidance on agricultural inputs and new technologies; mJobs would allow for registration for jobs, information on available jobs and how to apply, who to contact for setting up a business; mBanku would allow for branchless banking, allowing citizens to open, maintain a mobile-phone based bank current and savings account, receive and transfer funds and make payments to vendors, sellers; and
 - h. Establish an Oe-Cusse Talent Management and Skills Building Agency as a non-profit company that focuses on building a critical mass of labor market participants with professional and managerial skills as well as serving as an employment registry and referral centre.
- (iii) Addressing the critical issue of access to credit by *developing a range of innovative financing modalities and financial instruments*. This includes:
- a. Establishment of a variety of funds for streamlined financing for social and economic development including the Oe-Cusse Poverty Reduction Fund; Sustainable Development Fund, Human Resource Development Fund and the Social Entrepreneurship and Economic Development (SEED) Fund. These will be established as Trust Funds managed by the SAR or where applicable and deemed necessary, as venture capital (VC) funds managed by a VC company. These Funds would provide financing in a variety of ways, including seed funding for investments in the Oe-Cusse economy,, ramp-up stage or Series B financing and

⁸ This refers to a peer-to-peer seed sharing network whereby high yield seeds are developed on community farms and shared with other farms through a traditional distribution network.

⁹ Lopes, M. and Harry Nesbitt, Improving food security in Timor-Leste with Higher Yield Crop Varieties , 2012

patient capital in the middle growth periods. Part of the work under the project will relate to carrying out comparative studies on good practice for the structuring and operations of these Funds.

- b. Establishment of the Oe-Cusse Angel's Circle for meeting angel financing needs of social entrepreneurs. As a risk distribution measure, this would be a network of Angels rather than individual ones;
- c. Using Conservation Financing modalities to incentivize conservation of the Oe-Cusse ecosystem. This would mainly take the shape of a public-private partnership to set up a *Carbon Credits Scheme*, whereby businesses for conservation of threatened forest and marine ecosystems (e.g. sustainable sandalwood production), development of ecobusinesses (.e.g harvesting rainwater for sale to farmers) and ecotourism would be financed through a range of financial instruments such as Carbon Offsets and Conservation Equity. A combined use of the instruments under this modality would thus allow for an organic growth of local agri and eco businesses, by on the one hand, providing seed capital and on the other, offering rewards to them (and the community) linked to conservation;
- d. In partnership with the insurance companies and mobile phone service, develop a range of insurance products, including Crop Insurance (e.g. for risks associated with coffee production and sales), Single Event Insurance (e.g. rainfall insurance), Multi-risk Insurance (e.g. covering weather, market risks), Index-based Insurance (e.g. using a Marine Ecosystem Index), Reinsurance (whereby the original insurance company is in itself insured by another insurance company, allowing the original insurer to offer policies with higher limits). The aim would be to deliver these insurance products through mobile phone based subscription and renewal services; and
- e. Establish the Oe-Cusse Sau T'Aluma (Oe-Cusse Business Challenge), in partnership with the private sector. This would take the form of a competition that provides a platform for youth to turn ideas into viable businesses. The competition would be structured in a way that it mandates participants to develop scalable business models that address social, environmental and economic problems in Oe-Cusse and which link to the Oe-Cusse ZEESM through creation of supply chains. The rules for participation would be transparent, create a level playing field, with progression from stages in the competition based on defined criteria and judging of ideas and plans done through a panel of renowned private, public and civil society experts. A team of mentors would be assigned to teams/individuals who make it to the semi-final stage and beyond, to ensure that their professional help available for sound, viable business plan development.

III. RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country Programme Results and Resource Framework:
OUTCOME 1 By the end of 2019, people of Timor-Leste, especially the most disadvantaged groups, benefit from inclusive and responsive quality health, education and other social services and are more resilient to disasters and the impacts of climate change.
OUTCOME 2 By 2019, state institutions are more responsive, inclusive, accountable and decentralised for improved service delivery and realization of rights, particularly of the most excluded groups.

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:
 Number of men and women in most disadvantaged groups benefiting from social cohesion schemes;
 State institutions strengthened to progressively deliver universal access to basic services:

Applicable Key Result Area (from 2015-17 Strategic Plan):
 Outcome 1: Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded
 Outcome 2: Citizen expectations for voice, development, the rule of law and accountability are met by stronger systems of democratic governance

Partnership Strategy

Project title and ID (ATLAS Award ID):

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
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Pillar I: Lay the foundations for an efficient, effective and agile regional administration in Oe-Cusse

Output I.1: Flat, agile, streamlined and tech-enabled (FAST) governance :	0.1 Establish the Oe-Cusse SAR and ZEESM Fund Management Unit 0.2 Establish a fully functional Oe-Cusse SAR 0.3 Establish procedures for the working of the Change Management Advisory Board	<i>Activity Result I.1.1:</i> Proposal on Organisational Structure, Competencies, Staffing and Financing of the Oe-Cusse Regional Administration, decentralized urban governance and inter-governmental coordination mechanisms <i>Activity Result I.1.2:</i> Proposal on Oe-Cusse Zone Management Company including its corporate governance, independence, functions, powers, performance metrics, relationship with Oe-Cusse Regional Administration and financial management <i>Activity Result I.1.3:</i> Proposal on the new Civil Service Structure for Oe-Cusse, including staffing requirements, skills and competencies,	<i>SAR and ZEESM/UNDP</i>	<i>National Consultants) \$214,000 (33 months)</i> <i>International Consultants \$430,000 (15 months)</i> <i>Travel \$32,000</i> <i>Reports and communications \$45,000</i> <i>International Policy and Innovations Advisor (36 months) \$882,276</i> <i>Workshops, Conferences, Capacity building, Advocacy, Advertising, Marketing \$80,000</i>
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		<p>compensation and career paths, accountability and capacity development needs</p> <p><i>Activity Result 1.1.4:</i> Proposal on IT-Enabled, Lean Management Systems including which public services can be offered through digital platforms, and which can be delivered through the private sector and PPPs.</p> <p><i>Activity Result 1.1.5:</i> Creation of a Technical Advisory Services and Knowledge (TASK) Facility for immediate response to needs for implementation, technical advice and management support</p> <p><i>Activity Result 1.1.6:</i> Oe-Cusse SAR and ZEESM Fund Management Unit</p> <p><i>Activity Result 1.1.7:</i> Develop Standard Operating Procedures, establish performance benchmarks both for the transition period and subsequent periods.</p> <p>Key activities:</p> <ul style="list-style-type: none"> • Develop implementation plan with budget for required activities • Recruitment of consultants for design and implementation of activities as per agreed workplans; • Consultative processes involving relevant stakeholders • Capacity development of SAR and ZEESM staff 		<p><i>Surveys and studies</i> \$100,000</p> <p><i>Technical Advisory and Knowledge Service (TASK) Facility</i> \$100,000</p> <p><i>ZEESM Fund Management Unit:</i> <i>National Project Manager (36 months)</i> \$150,000 <i>Administration and Finance, Programme, Procurement and Logistics Team</i> \$318,000 <i>General Expenses</i> \$ 29,000 <i>Contingencies</i> \$ 27,012 (Note: These budget allocations cover all project activities and outputs. Specific allocations to some of the outputs/actions are reflected against each, where possible)</p>
<p>Output 1.2 Empowerment and enablement</p>		<p><i>Activity Result 1.2.1:</i> Development of Minimum Service Delivery Standards</p>	<p><i>SAR and ZEESM/UNDP</i></p>	<p><i>To be funded from budget under Output 1.1</i></p>

		<p><i>Activity Result 1.2.2:</i> Proposal for instituting Expenditure Allocation Norms for Key Services</p> <p><i>Activity Result 1.2.3:</i> Study on use of Output Based Budgeting, Conditional Transfers and Incentive Grants</p> <p><i>Activity Result 1.2.4:</i> Development of Oe-Cusse-specific Land Policy and drafting of Land Acquisition Law</p> <p><i>Activity Result 1.2.5:</i> Development of a Special Economic Zone Policy for Oe-Cusse</p> <p><i>Activity Result 1.2.6:</i> Establishment of an Oe-Cusse Skills and Talent Building Agency</p> <p><i>Activity Result 1.2.7:</i> Develop and implement a Communication Strategy</p> <p>Key activities:</p> <ul style="list-style-type: none"> • Develop implementation plan with budget for required activities, including: • Recruitment of consultants for design and implementation of activities as per agreed workplans; • Consultative processes involving relevant stakeholders • Capacity development of SAR and ZEESM staff 		
<p>Output 1.3 Voice and accountability mechanisms established</p>		<p><i>Activity Result 1.3.1:</i> Study on Informal Institutions and Their Role in the New Governance Structure in Oe-Cusse</p> <p><i>Activity Result 1.3.2:</i> Establishing an Oe-Cusse Regional Finance Commission to accomplish a rules-based, needs driven, transparent and equitable system of resource allocation and use</p> <p><i>Activity Result 1.3.3:</i> Institute Public Expenditure Tracking Surveys (PETS) in select sectors</p>	<p><i>SAR and ZEESM/UNDP</i></p>	<p><i>To be funded from budget under Output 1.1</i></p>

		<p><i>Activity Result 1.3.4:</i> Establish mGovernance Platforms and Services, including their use for civil registry functions, heat-mapped monitoring, agri-information services, grievance redress, business advisory services, Public Service Hotlines for information and guidance</p> <p><i>Activity Result 1.3.5:</i> Develop a proposal that leads to the establishment of the Office of the Oe-Cusse Ombudsman</p> <p><i>Activity Result 1.3.6:</i> Develop a proposal that leads to the establishment of the Oe-Cusse ZEESM Alternative Dispute Resolution (ADR) Centre</p> <p><i>Activity Result 1.3.7:</i> Social Audit mechanisms are instituted in select sectors, services</p> <p>Key activities: Develop implementation plan with budget for required activities, including:</p> <ul style="list-style-type: none"> • Recruitment of consultants for design and implementation of activities as per agreed workplans; • Consultative processes involving relevant stakeholders • Capacity development of SAR and ZEESM staff 		
<p>Output 1.4 Strengthened institutional capacities</p>		<p><i>Activity Result 1.4.1:</i> Capacity Assessment Survey to identify priority areas for targeted investments, development and implementation of an Institutional Capacity Development Plan</p> <p><i>Activity Result 1.4.2:</i> Staff Exchange and Secondments Program are established with select organisations in private, multilateral and</p>	<p><i>SAR and ZEESM/UNDP</i></p>	<p><i>To be funded from budget under Output 1.1</i></p>

		<p>bilateral organisations and for select competencies and skills</p> <p><i>Activity Result 1.4.3:</i> Developing a Gamification Training Methodology, involving interactive role-playing in virtual scenario-based environments</p> <p><i>Activity Result 1.4.4:</i> Establishing a Contextualised Skills Building Program that build capacity using real-life situations and problems</p> <p><i>Activity Result 1.4.5:</i> Establishing Advisory Clinics and Help Desks</p> <p><i>Activity Result 1.4.6:</i> Establishing a Data Analytics Centre for evidence gathering, synthesis and analysis</p> <p><i>Activity Result 1.4.7:</i> Develop a Continuous Improvement Benchmarking system</p> <p>Key activities:</p> <p>Develop implementation plan with budget for required activities, including:</p> <ul style="list-style-type: none"> • Recruitment of consultants for design and implementation of activities as per agreed workplans; • Consultative processes involving relevant stakeholders • Capacity development of SAR and ZEESM staff 		
Pillar II: Put in place sustainable and innovative frameworks to develop the Oe-Cusse economy and develop the linkages with the ZEESM				
Output II.1 Rural and inclusive development for improved livelihood opportunities.		<p>Activity Result II.1.1: Rural Development Plan</p> <p>Activity Result II.1.2: Implementation of Rural Development Plan</p> <p>Key activities:</p>	<i>SAR and ZEESM/UNDP</i>	<i>International Economics Advisor (36 months) \$ 764,100,000</i>

		<p>Develop implementation plan with budget for required activities, including:</p> <ul style="list-style-type: none"> • Recruitment of consultants for design and implementation of activities as per agreed workplans; • Consultative processes involving relevant stakeholders • Capacity development of SAR and ZEESM staff 		
<p>Output II.2 Innovative institutional arrangements, models and platforms for business advisory, information and support services to promote, enable and facilitate social entrepreneurship in Oe-Cusse.</p>		<p><i>Activity Result II.2.1:</i> Establishment and operationalisation of B2B and B2C market places, in both online and offline forms.</p> <p><i>Activity Result II.2.2:</i> Establish payments solutions and platforms to support B2B and B2C marketplaces.</p> <p><i>Activity Result II.2.3:</i> Development of a model for and supporting establishment of, community-owned, commercially run Agricultural Extension Services</p> <p><i>Activity Result II.1.4:</i> Establish the Timorese4Oe-Cusse (T4O) Diasporas Connector for supporting B2B and B2C marketplaces, linked to regional and global supply chains</p> <p><i>Activity Result II.2.4:</i> Establish the Oe-Cusse Business Accelerator in partnership with the private sector.</p> <p><i>Activity Result II.2.5:</i> Develop a model for and operationalise Business Advisory Clinics in partnership with the private sector, civil society and public sector</p> <p><i>Activity Result II.2.6:</i> Establish 3 mobile phone-based services: <i>mLeupLele</i>; <i>mMepu</i>; and <i>mBanku</i></p>	<p><i>SAR and ZEESM/UNDP</i></p>	

		<p><i>Activity Result</i> II.2.7: Establish the Oe-Cusse Talent Management and Skills Building Agency in partnership with SEPFOPE and other partners in the civil society and private sector</p> <p>Key activities: Develop implementation plan with budget for required activities, including:</p> <ul style="list-style-type: none"> • Recruitment of consultants for design and implementation of activities as per agreed workplans; • Consultative processes involving relevant stakeholders • Capacity development of ZEESM staff 		
II.3 Develop innovative financing modalities and instruments		<p><i>Activity Result</i> II.3.1: Establish the Oe-Cusse Social Entrepreneurship and Economic Development (SEED) Fund as a Venture Capital Fund to offer seed, Series B and patient capital</p> <p><i>Activity Result</i> II.3.2: Establish the Oe-Cusse Angel's Circle as a network of Angels providing startup financing</p> <p><i>Activity Result</i> II.3.3: Develop and implement Conservation Financing models, including e.g. Carbon Offsets and Conservation Equity instruments</p> <p><i>Activity Result</i> II.3.4: Develop and launch the Oe-Cusse Sosa Aeka (Oe-Cusse Business Challenge) in partnership with the private, public and civil society sectors</p> <p><i>Activity Result</i> 11.3.5: Develop proposals for the Poverty Reduction; Sustainable Development; Human Development; and</p>	<i>SAR and ZEESM/UNDP</i>	<i>SEED Fund \$ 300,000</i>

		<p>SEED Funds including their structure, operations and usage.</p> <p>Key activities:</p> <p>Develop implementation plan with budget for required activities, including:</p> <ul style="list-style-type: none"> • Recruitment of consultants for design and implementation of activities as per agreed workplans; • Consultative processes involving relevant stakeholders • Capacity development of ZEESM staff 		
				<p><i>Sub-Total Budget:</i> <p><i>\$4.081,388 Million</i></p> </p>
				<p><i>GMS (3%)</i> <p><i>\$118,612</i></p> </p>
				<p><i>Total Budget \$4.2 Million</i></p>

IV. MANAGEMENT ARRANGEMENTS

The project will be implemented by UNDP through a Direct Implementation Modality (DIM). In the initial period and with a view to facilitate quick implementation, the project would use UNDP procedures, which may be shifted to government procedures upon agreement and assessment of both parties. The proposed management arrangements for this project comprise the following elements:

a. Oe-Cusse Change Management Fund Advisory Board

It is proposed to establish an Advisory Board, chaired by the President of the Special Administrative Region (SAR) Oe-Cusse Ambeno, to provide oversight, policy advice and guidance and serve as a high-level forum for strategic direction, dialogue and coordination. The Board will also provide required project oversight and guidance and also make project-related policy decisions.

Terms of Reference for the Advisory Board are at Annexure 1.

b. Special Regional Administration of Oe-Cusse Ambeno

The project envisages working with the Special Administrative Region of Oe-Cusse Ambeno (SAR), providing support for its establishment and operationalisation. A Senior Policy and Innovations Advisor would be hired to provide senior level advice to the President of the SAR and a team of consulting and support staff, as well as volunteers and interns would be put together. The project would work under the overall supervision and guidance of the President of the SAR, and on a day to day basis, with a Project Director designated by the President.

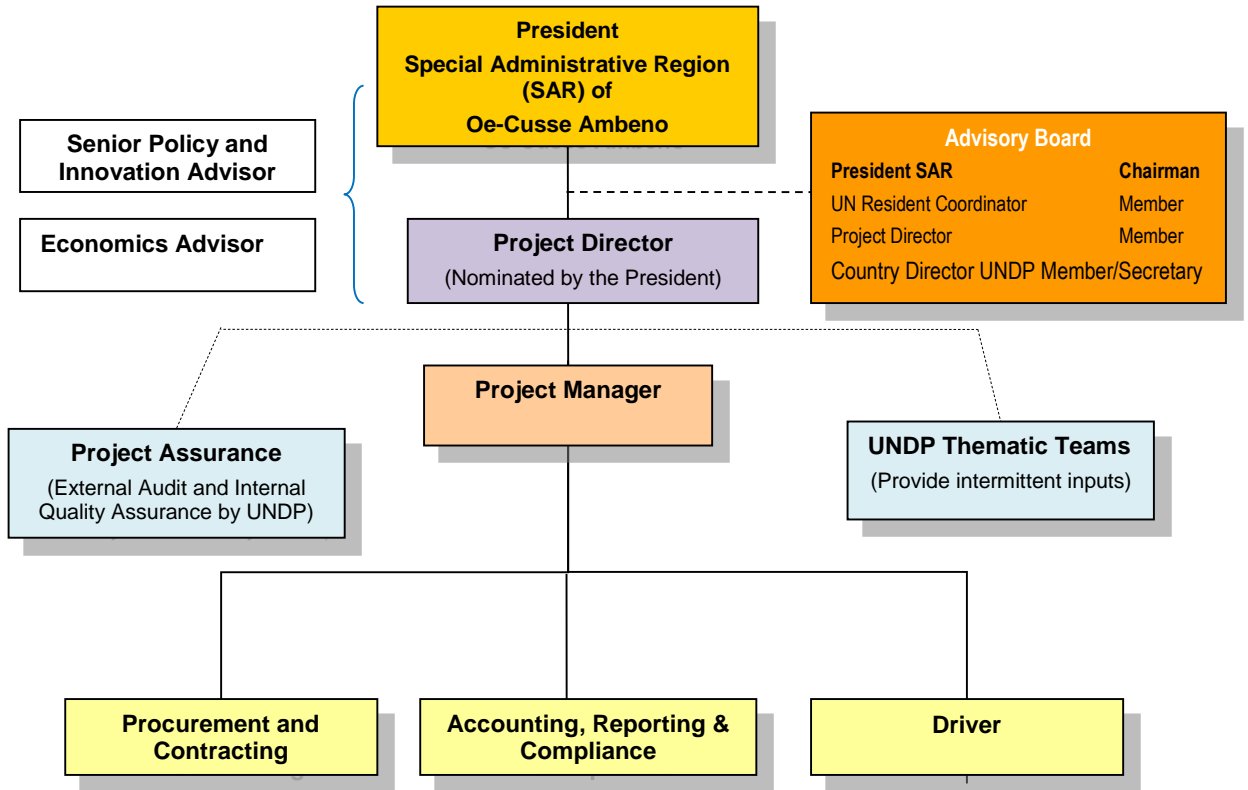
The project will enable and facilitate the SAR and ZEESM to:

- i. Develop and lead the implementation of the various activities, investments and interventions proposed under the two components of the project;
- ii. Engage with private sector, development partners, civil society and other stakeholders;
- iii. Coordinate with central public sector organisations;
- iv. Prepare progress and performance reports for the Change Management Advisory Board; and
- v. Regularly interact on thematic and operational matters with UNDP.

An Oe-Cusse Fund Management Unit will be established to serve as the Project Management Unit (PMU) and will be responsible for all operational issues including procurement, contracting and reporting. The Unit would report to the Project Director, ensuring compliance with UNDP programme management and implementation policies and procedures. UNDP will oversee the working of PMU in conjunction with the Project Director and work with the SAR to mobilize resources from other development partners.

Project management structure is described below:

Oe-Cusse SAR and ZEESM Project Organizational Structure



V. INDICATIVE COST ESTIMATES, FINANCING PLAN AND FUNDING MODEL

The project will be funded by the Government through allocation for SAR and ZEESM in the State Budget and UNDP core funds. It is proposed that additional government financing, and contributions from other development partners, philanthropic organisations and the private sector, will be mobilised. UNDP will support the process of resource mobilization with donor contributions channelled as cost sharing contributions through this project. Under this arrangement, the Government would pay UNDP a standard 3% fee (applied on the total investment made by the Government for this project) as per UNDP rules¹⁰, for UNDP's fund management services.

This arrangement would enable the project to:

- i. Benefit from UNDP's administrative, procurement, communication and technical advisory support.
- ii. Leverage UNDP's expertise, regional and global networks and experiences in relation to the two components of this project.
- iii. Benefit from UNDP's political neutrality, opportunities for donor coordination and resource mobilisation.
- iv. Gain access to requisite technical services and advisory support in a quick, flexible and transparent manner.
- v. Allow the SAR to focus attention on issues of strategic and policy orientation, rather than get bogged down in day to day operational challenges.

There already exist two precedents of such an arrangement in Timor-Leste and there is legal coverage in the form of a Law on Public Transfers that allows for such an arrangement to function.

The costs associated with this project are indicated at Annexure 3 and are estimated to be \$4.2million. The available financing covers the costs of both components of the project and also provide for the establishment of a Technical Advisory and Knowledge Services (TASK) Facility. The TASK Facility is intended to enable the SAR and ZEESM to respond with agility to evolving, emerging and urgent needs, and forms part of the Change Management Fund. Like the rest of the components of the project, the TASK Facility would also be managed by the SAR and ZEESM Fund Management Unit (FMU). for rapid mobilization of individual experts and consulting firms to address a range of needs including for design, implementation or oversight of civil works; technical assistance; evaluations and expert opinions; third party validations; marketing and private sector engagement; investments in environment and social capital; and facilitating entrepreneurs. Projects may be developed under this Facility, or ongoing projects could be co-financed in Oe-Cusse.

A number of activities under this project—particularly for the Sustainable and Innovative Development component will require additional financing and UNDP will support mobilization of additional funds from donors, private sector and philanthropists, in consultation with and active leadership from the Oe-Cusse SAR, under the overall guidance and oversight of the President of the Authority. The amount of financing to be raised will be determined on a rolling basis, once the models, frameworks are developed and studies carried out.

The funding model is described at Annexure V.

¹⁰ Under UNDP Rules, the Management Fee is 8% for managing contributions from bilateral donors.

VI. OPPORTUNITIES FOR CROSS-PRACTICE COLLABORATION

A number of development partners and civil society organisations are either currently involved in or plan to, support governance reforms, decentralization and creating a more enabling environment for business as well for local and sustainable development. The Support to SAR and ZEESM project is well placed to mobilize resources and bring it under one umbrella and in doing so, enable well-coordinated support, reduce reporting burdens and allow for information and knowledge sharing on approaches, outputs and outcomes.

UNDP, as the leader party, can share the experience, results and lessons learned of their already completed projects such as the Oe-Cusse Ambeno Community Activation Programme (OCAP)

UNDP can also coordinate and integrate actions and activities with its on-going projects portfolio dealing with common objectives such as the “Community Mobilization for Poverty Alleviation & Social Inclusion” Project working with Oe-Cusse communities to tackle poverty, hunger, poor health, illiteracy and social exclusion, the [“INFUSE” Programme](#) working to Increase access to financial services for the poor and low-income population and the [Small Grants Programme \(SGP\)](#) that gives support to NGOs and community-based organizations through small-scale sustainable activities at the local level.

Other UNDP projects with high potential to collaborate with the Oe-Cusse SAR and ZEESM Project efforts are:

- Mobilize Social Business to Accelerate Achievement of Timor-Leste MDGs
- Conditional Cash Transfer
- Promoting Sustainable Bio-Energy Production from Biomass
- Strengthening Resilience Small-Scale Rural Infrastructure, Local Government Systems to Climate Risk
- Strengthening Community Resilience to Climate Induced Natural Disasters
- Strengthening Disaster Risk Management Programme
- Justice System Programme
- Sub-National Governance and Development Programme

There are several opportunities for collaboration with developmental partners and CSOs such as:

ADB

- Implementing a Water Supply Project in Pante Macassar which would cover the entire area of the designated zone.
- Developing an Access to Finance project which could be used to develop a framework for Angel Investors and Venture Capital Funds
- Developing a framework for: improving access to credit to build on earlier work with ramping up BNCTL services; securitization of assets; PPP legislation.

UNICEF

- Oe-Cusse is one of 5 priority districts for health, education, youth and child protection
- Collaboration could be explored for developing models for (i) decentralised service delivery; (ii) youth entrepreneurship; and (iii) use of UNICEF’s RapidSMS technology for mGovernance.

USAID

- 4 year program to promote de-concentration at the suco level.
- Designing a new project on technical assistance on small scale community based projects and value chains.
- Development of the Community Owned Agriculture Extension Services and the B2B and B2C Marketplaces

WB

- Carried out a diagnostic study on non-oil exports, identifying potential for coffee, horticulture, livestock and grains and pulses. Has an established Development Marketplace model.
- Formally requested for assistance by the Oe-Cusse ZEESM in several areas, including for conduct of a study on business environment and diagnostic study on economic potential of Oe-Cusse.

UNWOMEN

- Working with local organization in Oe-Cusse to establish communities' economic based centers
- Collaboration on ensuring integration on Oe-Cusse Project gender dimension

VII. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see Annex I), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Change Management Fund Advisory Board/Project Board. As minimum requirement, the Annual Review Report shall consist of a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

A mid-term project evaluation will be conducted to assess project's continued relevance, effectiveness and to document lessons learned.

VIII. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP which is incorporated herein by reference, constitute together a Project Document as referred to in the Standard Basic Assistance Agreement (SBAA); as such all provisions of the CPAP apply to this document. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner", as such term is defined and used in the CPAP and this document.

UNDP as the Implementing Partner shall comply with the policies, procedures and practices of the United Nations safety and security management system.

UNDP will undertake all reasonable efforts to ensure that none of the [project funds]¹¹ [UNDP funds received pursuant to the Project Document]¹² are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

¹¹ To be used where UNDP is the Implementing Partner

¹² To be used where the UN, a UN fund/programme or a specialized agency is the Implementing Partner.

IX. ANNEXES

ANNEXURE I: Risk Analysis

#	Description	Type	Impact and Probability	Mitigation Strategy
1	Political commitment for a special governance regime in Oe-Cusse in line with Constitutional provisions, wanes due to dissent within government	Political	Impact: The entire project is dependent on a special governance regime for the region in line with the Constitutional provisions. Any change in the current political environment which is inclusive and positive, would greatly reduce the scope of the project. Probability: 1	Deep political engagement is required to ensure political agreement on this key issue
2	A special governance regime is conceived under legislation passed by Parliament, but does not devolve political power	Political	Impact: Any form of autonomy sans devolution of political power would effectively place the Oe-Cusse Regional Administration under central government control. Probability: 4	The opposition party enters into political negotiation with the government, resulting in political devolution to be enshrined in the law on special governance regime. This would allow it to frame policies and strategies without having to seek central government approval.
3	There is lack of clarity in roles and responsibilities of central government and the Oe-Cusse Regional Administration	Institutional	Impact: Unclear mandates will cause institutional overlaps, weak decision making and delays in implementation, leakages and opportunities for rent seeking. Probability: 3	Through political and technical dialogue, ensure that the special governance regime is unencumbered and key powers are transferred to the regional administration, including for financial and human resource management, and inter governmental coordination.
4	Institutional capacities for delivering public services are not built up	Institutional	Impact: Mismatch between institutional capacities for service delivery, planning, budgeting, regulation and human resource management and public expectations for efficient services could lead to public dissatisfaction and foment social unrest. Probability: 4	Develop an institutional capacity building plan that adopts innovative models of delivery and are focused on building systemic capacity at various levels.
5	A global or economic downturn occurs	Economic	Impact: A global recession or a marked slowing down of growth in key markets such as China, India and the US, would greatly impact the feasibility of the ZEESM initiative. Probability: 3	
6	Fiscal powers are either not granted to the Oe-Cusse Regional Administration or are heavily circumscribed.	Fiscal	Impact: The inability to impose taxes and retain revenues from it would make the administration fiscally unsustainable and make it reliant on central transfers from the central government, effectively constricting its decision making powers. Probability: 3	The Oe-Cusse ZEESM office enters into political and technical dialogues with the central government to ensure fiscal decentralisation.

7	The governance model developed is non-inclusive and land issues are not adequately addressed.	Social	Impact: Absence of a Land Policy and Land Acquisition Law will lead to arbitrary acquisition, unfair compensation, displacement and social unrest. Probability: 3	Oe-Cusse ZEESM office working on land valuation paper to ensure fair compensation,
8	Private sector participation in and support for the various initiatives is lukewarm at best	Economic	Impact: The initiatives in this Concept Note are heavily dependent on the private sector, both locally and regionally, playing a lead role in design, implementation and sustainability processes. If their support is not forthcoming as assumed, it would pose severe challenges for implementation. Probability: 4	Developing a business case for the initiatives, and a marketing strategy on how to pitch the case to secure financial, managerial commitment.
9	There is lack of clarity in roles and responsibilities of different stakeholders in the various activities and initiatives	Institutional	Impact: Unclear mandates will cause institutional overlaps, weak decision making and delays in implementation, leakages and opportunities for rent seeking. Probability: 3	Clarity on institutional arrangements, including structures, performance benchmarks, results measurement, and communication can mitigate this risk. The Change Management Forum offers a platform to lead on this.
10	Institutional capacities for delivering on public sector roles outlined in the initiatives are inadequate, dragging down overall performance	Institutional	Impact: Mismatch between institutional capacities for service delivery, planning, budgeting, regulation and expectations for efficient performance as envisaged would disrupt implementation and lead to difficulties in managing public expectations. Probability: 4	Work closely with the public sector agencies to support and advise on innovative models of delivery, using technical assistance support from development partners where necessary. In particular, focus on the former's accepting the need to have a business-oriented approach.
11	A global or regional economic downturn occurs	Economic	Impact: A global recession or a marked slowing down of growth in key markets such as China, India and the US, would greatly impact the feasibility of the ZEESM initiative and for the linked initiatives identified in this Note. Probability: 3	Factor in possible scenarios for exogenous shocks into the supply chain development models.
12	Community support and enthusiasm for these initiatives is not forthcoming as expected.	Social	Impact: The initiatives proposed in this Note are predicated on strong community support. Absence of the latter would lead to serious issues of the validity of the entire initiative. Probability: 2	The Oe-Cusse ZEESM office enters into regular engagement with the Oe-Cusse stakeholders, using the tools and mechanisms identified in the Communication Strategy being developed for the ZEESM. In particular, it would need to seek active support of traditional leaders.
PROBABILITY: 1=Low Risk; 5=High Risk				

**ANNEXURE II: COMPOSITION AND TOR OF
OE-CUSSE SAR AND ZEESM CHANGE MANAGEMENT FUND ADVISORY BOARD**

Composition

President of the Special Administrative Region Oe-Cusse Ambeno	Chair
Project Director	Member
Resident Coordinator United Nations & Resident Representative, UNDP	Member
Country Director UNDP	Member/Secretary

Note: The Chair may appoint other Members or Observers to the Advisory Board as per need, for specific interventions or for specific meetings.

Terms of Reference (TOR)

1. Review and endorse annual work plans and budgets for the project.
2. Advise on policy and operations as relevant
3. Review requests for partnership and funding.
4. Engage with development partners, private sector and philanthropic organisations Explore opportunities for raising additional funds for the project.
5. Regularly review progress on the use of funds and implementation of initiatives under the project.
6. Periodically develop thematic and progress reports for sharing with a wider audience as part of an advocacy strategy.
7. Periodically engage with relevant stakeholders to seek feedback, perspectives and learn of emerging challenges.
8. Serve as Project Oversight Board to make policy decisions related to the project and to provide strategic guidance to the project team.

Decision Making

Final decision making powers shall vest in the President of the SAR/Chairman of the Advisory Board.

OE-CUSSE SAR AND ZEESM FUND MANAGEMENT UNIT

1. ROLE

The SAR and ZEESM Fund Management Unit (FMU) would serve as the project management unit for the Support to Institutional Development of Oe-Cusse SAR and ZEESM Project. It would follow and comply with all UNDP rules, regulations, procedures and processes related to project and be guided by the provisions of the UNDP Project Cycle Operations Manual.

2. TASKS

The ZFMU would be responsible for and perform the following tasks:

- i. Management of all procurement of goods and services.
- ii. Management of all recruitment, negotiation and contracting of national, international consultants and firms under UNDP rules.
- iii. Management of budgeting, accounting, reporting and compliance with all UNDP accounting and financial management standards.
- iv. Management of all payments for goods and services.
- v. Ensuring internal quality assurance of all procedures and processes.
- vi. Organising and facilitating external audits, risk assurance validations and evaluations.
- vii. Facilitating the work of the Oe-Cusse SAR in relation to project management and implementation.
- viii. Preparing and submitting periodic reports to the UNDP and to the Oe-Cusse SAR as prescribed under UNDP rules as well as any other reports specifically asked for by either the UNDP or the SAR and ZEESM Office.

3. REPORTING

The FMU will work under the overall guidance and supervision of the President of the Oe-Cusse SAR and the day to day supervision of the Program Director. The FMU will also coordinate regularly with the UNDP to ensure compliance with UNDP procedures.

ANNEXURE IV: PROJECT COST ESTIMATES (2015-2017)

ZEESM PROJECT COST ESTIMATES (\$)				
A. Governance, Sustainable Rural Development and Innovation	2015	2016	2017	TOTAL 2015-2017
National Consultants	60,000	100,000	54,000	214,000
International Consultants	130,000	200,000	100,000	430,000
Senior Policy and Innovation Advisor (P5)	294,092	294,092	294,092	882,276
Economics Advisor (P4)	254,700	254,700	254,700	764,100
Local and International Travel	12,000	10,000	10,000	32,000
Reports, Communication	15,000	15,000	15,000	45,000
Surveys and Studies	30,000	40,000	30,000	100,000
Workshops, Conferences, Capacity Building, Advocacy, Advertising and Marketing	30,000	30,000	20,000	80,000
Social Entrepreneurship and Economic Development (SEED) Fund	100,000	100,000	100,000	300,000
Sustainable and Innovative Rural Development and Business Development Initiatives (Business Challenge, B2B Marketplace, Business Advisory Clinics T4O Connector)	200,000	100,000	50,000	350,000
Talent Management and Skills Building Agency	200,000	150,000	60,000	410,000
Technical Advisory and Knowledge Services (TASK) Facility	50,000	30,000	20,000	100,000
Sub-total A	1,375,792	1,323,792	1,007,792	3,707,376
B. Project Management Unit				
National Project Manager	50,000	50,000	50,000	150,000
Programme and Procurement Officers (DPC)	40,000	40,000	40,000	120,000
Administrative & Finance Associate	10,000	10,000	10,000	30,000
Driver	6,000	6,000	6,000	18,000
General Expenses (Transport, vehicles, accommodation, utilities, supplies, equipment, maintenance, communications, audit)	10,000	10,000	9,000	29,000
Contingencies	12,598	8,000	6,414	27,012
Sub-Total B	128,598	124,000	121,414	374,012
Total (Sub-total A + Sub-total B)	1,504,390	1,447,792	1,129,206	4,081,388
GMS 3% (UNDP fee for the full three years)	41,302	43,434	33,876	118,612
Grand Total (Sub-total A + Sub-total B + GMS)	1,545,692	1,491,226	1,163,082	4,200,000

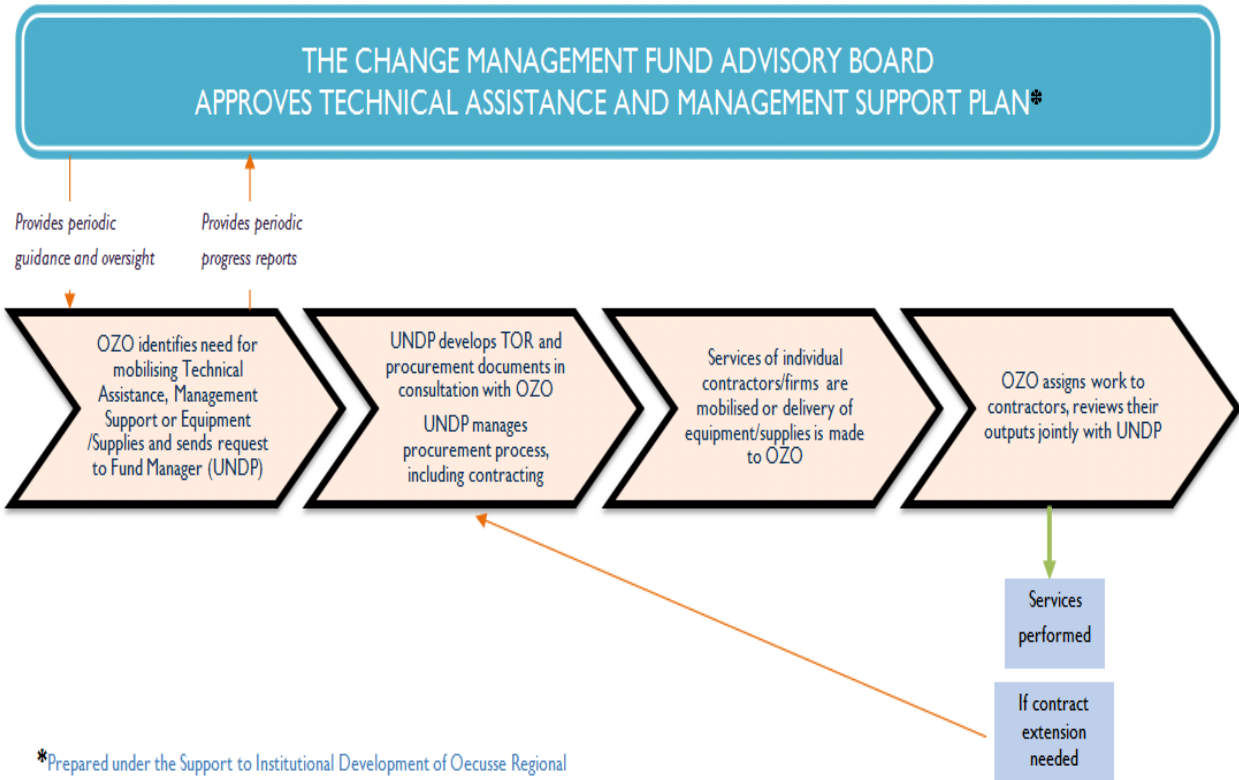
ZEESM PROJECT FUNDING SOURCES (\$)	2015	2016	2017	TOTAL 2015-2017
Oecussi Region Contribution-State Budget	750,000	750,000	750,000	2,250,000.00
UNDP Contribution-Trac	100,000	50,000	50,000	200,000.00
Unfunded budget	695,691.80	691,226	363,082	1,750,000

Total required resources: \$ 4.2 million

Total allocated resources: 2.45 million

- Government \$ 2.25 million

- UNDP \$ 0.2 million
- Unfunded \$ 1.75 million



*Prepared under the Support to Institutional Development of Oecusse Regional Administration and ZEESM
OZO= Oecusse ZEESM Project Office