



PROJECT IDENTIFICATION FORM (PIF) ¹

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND: LDCF

PART I: PROJECT IDENTIFICATION

Project Title:	Strengthening the Resilience of Small Scale Rural Infrastructure and Local Government Systems to Climatic Variability and Risk		
Country(ies):	Timor Leste	GEF Project ID: ²	
GEF Agency(ies):	UNDP (select) (select)	GEF Agency Project ID:	4817
Other Executing Partner(s):	Ministry of Economy and Development; Ministry of State Administration and Territorial Management; Ministry of Infrastructure	Submission Date:	2011-10-03
GEF Focal Area (s):	Climate Change	Project Duration (Months)	48 months
Name of parent program (if applicable): ➤ For SFM/REDD+ <input type="checkbox"/>	N/A	Agency Fee (\$):	460,000

A. FOCAL AREA STRATEGY FRAMEWORK³:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Co-financing (\$)
CCA-1 (select)	Increased knowledge and understanding of climate variability and change induced threats at country level and in targeted vulnerable areas.	Risks and vulnerability assessments conducted and updated	LDCF	430,000	6,324,000
CCA-2 (select)	Increased adaptive capacity within relevant development sectors and natural resources.	Vulnerable physical, natural and social assets strengthened in response to climate change impacts, including variability.	LDCF	3,950,000	16,707,056
(select) (select)			(select)		
(select) (select)			(select)		
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(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)	Others		(select)		
Sub-Total				4,380,000	23,031,056
Project Management Cost ⁴			LDCF	220,000	1,496,707
Total Project Cost				4,600,000	24,527,763

B. PROJECT FRAMEWORK

¹ It is very important to consult the PIF preparation guidelines when completing this template.

² Project ID number will be assigned by GEFSEC.

³ Refer to the reference attached on the [Focal Area Results Framework](#) when filling up the table in item A.

⁴ GEF will finance management cost that is solely linked to GEF financing of the project.

Project Objective: Critical small scale rural infrastructure is designed and implemented through participatory approaches and strengthened local governance systems, reflecting the needs of communities vulnerable to increasing climate risks.

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Cofinancing (\$)
Systematic management and use of climate risk information	TA	Policy makers and cross government coordination mechanisms are aware of critical climate risks to rural development and are systematically being informed through up to date information management on climate hazards and vulnerability assessment in Timor Leste.	<p>Existing climate hazard and vulnerability information compiled and integrated into a climate risk information system and database, coordinated by MED, contributing towards a comprehensive national climate change policy and long-term warning system.</p> <p>Development and implementation of climate vulnerability assessments, guidelines and tools which can inform district and sub-district level planning, in at least 5 districts.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Platform for national dialogue and information sharing on climate risks established and coordinated by MED, based on the existing NAPA working group structure, delivering regular bulletins, information updates and policy briefs. <input type="checkbox"/> Tailored and function based training and support in climate risk management for at least 75 national and district level technical staff (agriculture, forests, rural development, water supply, disaster management, rural infrastructure). 	LDCF	430,000	6,324,000
Inclusive planning and budgeting for reducing climate and natural disaster related risks	TA	Local administrations integrate climate risks into participatory planning and financing of small scale rural infrastructure provision.	<p>Technical capacity enhanced for district level local assemblies to understand and integrate climate risk information, including climate induced disasters, into local planning, budgeting and budget execution, in at least 5 districts.</p> <p>Regular dialogues established between district officials, village</p>	LDCF	450,000	7,207,056

			<p>representatives and local communities on the impacts of climate change and natural disasters on critical rural infrastructure, in at least 15 sub-districts across 5 districts.</p> <p>□ District annual action plans which combine climate resilience for rural infrastructure with ecosystem based measures, are developed and under implementation, in at least 5 districts, including technical review support.</p> <p>At least 100 district engineers and local contractors trained in climate risks to small scale rural infrastructure, as well as technical design elements of climate resilient structures.</p>			
Physical investment for reducing climate risks	Inv	Small scale rural infrastructure made resilient against climate change induced risks (droughts, floods, erosion and landslides) in at least five districts.	<p>Small scale physical infrastructure (water storage and supply, roads, bridges, irrigation & drainage) designed, built and/or rehabilitated in at least 100 villages across 15 sub-districts and 5 districts (benefitting at least 100,000 people), to a specification that takes into account anticipated climate risks.</p> <p>Complementary soil and land management measures to build resilience to climate induced risks (natural retention of surface water, slope stabilization, groundwater infiltration) implemented at sub-catchment level in at least 10 sub-districts across 5 districts, covering at least 50,000 hectares.</p> <p>Codes and best practices for climate resilience measures for small scale rural infrastructure (including ecosystem based approaches and gender</p>	LDCF	3,500,000	9,500,000

			differentiated concerns) are developed, integrated into existing infrastructure guidelines and disseminated.			
	(select)			(select)		
	(select)			(select)		
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	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
Sub-Total						4,380,000 23,031,056
Project Management Cost ⁵				LDCF		220,000 1,496,707
Total Project Costs						4,600,000 24,527,763

C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
National Government	Ministry of Economy and Development	In-kind	178,240
National Government	Ministry of Economy and Development	Grant	2,000,000
Local Government	Local Development Fund	Grant	9,500,000
GEF Agency	UNDP	Grant	7,749,523
GEF Agency	UNDP	Grant	300,000
Other Multilateral Agency (ies)	European Union	Grant	2,800,000
Bilateral Aid Agency (ies)	Australian Aid	Grant	2,000,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Cofinancing			24,527,763

D. GEF/LDCF/SCCF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY¹

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (a)	Agency Fee (b) ²	Total c=a+b
UNDP	LDCF	Climate Change	Timor Leste	4,600,000	460000	5,060,000
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
Total Grant Resources				4,600,000	460,000	5,060,000

¹ In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

² Please indicate fees related to this project.

⁵ Same as footnote #3.

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1 the [GEF focal area/LDCF/SCCF](#) strategies:

This project is in line with LDCF/SCCF focal area Objective 1 to “Reduce vulnerability to the adverse impacts of climate change” and Objective 2 to “Increase adaptive capacity to respond to the impacts of climate change, including variability”. Related expected outcomes include increasing knowledge and understanding of climate variability, as well as increasing adaptive capacity within relevant development sectors.

A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

Consistent with the Conference of Parties (COP-9), the proposed project will implement priority interventions addressed in Timor Leste’s NAPA, therefore satisfying criteria outlined in UNFCCC Decision 7/CP.7 and GEF/C.28/18. It will address urgent and immediate climate change adaptation needs and leverage additional co-financing resources from bilateral and other multilateral sources. The Government requests the LDCF to finance the additional costs of achieving sustainable development imposed on Timor Leste by the impacts of climate change. It is country-driven, cost-effective, and focused on immediate needs of vulnerable people, especially women. It will contribute to integrating climate change risk considerations into district and sub-district planning associated with the provision of critical small scale rural infrastructure through the medium of improved local governance approaches, as well as strengthening natural systems to continue to provide flood protection and water provision services in the context of a changing climate. The project focus is therefore aligned with the scope of expected interventions as articulated in the LDCF programming paper and decision 5/CP.9. As climate impacts fall disproportionately on the poor, the project recognizes the link between adaptation and poverty reduction (GEF/C.28/18, 1(b), 29).

A.2. national strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

The Government of Timor Leste has recently published its Strategic Development Plan (2011-2030) which sets out an agenda for action with a focus on promoting Social Capital, Infrastructure Development and Economic Development, underpinned by a further focal area on Institutional Development. The Strategy maps very closely to the National Adaptation Plan of Action (2010) and the NAPA objectives are embedded within the SDP, thereby becoming integral with the Government’s vision for the future development of the country. One of the national development targets for 2020 is that “70% of National Adaptation Programmes of Action under the United Nations Framework Convention on Climate Change will have been implemented”.

Timor Leste remains committed to moving towards administrative and financial decentralization, as enshrined in Article 5 of the Constitution. A national decentralization policy and roadmap has been approved and several local government laws have been submitted to Parliament. Although a decision was taken by the GoTL in April 2010 to postpone the municipal elections until sometime after the 2012 national elections, this decision has not restricted the roll out of new administrative and financial arrangements for the transfer of resources and decision making authority to the districts. In 2010 the Government also introduced the Decentralized Development Package (DDP), whereby approximately USD 31 million was allocated through the mid-year rectified state budget to be implemented by the District Administrations. Subsequently, through new guidelines issued in 2011, the DDP was divided into two funding pools - DDP I and DDP II - with the Ministry for State Administration and Territorial Management (MSATM) giving full responsibility for delivering DDP I, as well as for providing planning and implementation support to DDP II.

The Government is planning a major programme of road rehabilitation, repair and improvement from 2011 to 2015 under the Strategic Development Plan. All rural roads will be repaired to a minimum standard by 2015, while national and district roads will be fully rehabilitated by 2020. Some 3,000 linear metres of bridges will be replaced or repaired over the same period. Furthermore, 75% of the country’s rural population will have access to safe and reliable water by 2015, while all government schools will be connected to clean, piped water and all sub-districts will have improved drainage and

sewerage systems. Furthermore, the National Directorate with responsibility for water resources management (Ministry of Infrastructure) has prepared a draft national water resources policy based on integrated water resources management principles, together with a water resources law, both of which are now undergoing public consultation. Increasing access to Timor Leste's plentiful, though localized, groundwater supply is an important element of this new direction. The Strategic Development Plan identifies the need for increased drilling of tubewells in order to access and 'prove' this supply. It also cautiously promotes investment in increased surface water storage via small-scale or larger dams.

Timor Leste completed its NAPA process in 2010, led by the Ministry of Economy and Development. The NAPA document was presented to (and approved by) the Council of Ministers in 2011. The NAPA identifies and ranks 8 priority sectors, with food security and water resources ranked 1 and 2 respectively, as well as a 9th priority on national institutional capacity for climate change. The ranking exercise was carried out by a national level multi-disciplinary team based on the working group structure that was established to support the overall process. This proposed project is fully in line with the NAPA priorities and is specifically linked to those linked with Water Resources, Physical Infrastructure, Forests and Biodiversity and National Institutional Capacity, as follows:

- *Water Resources – the project will help to design, build and operate climate resilient infrastructure that will protect locally water sources and provide safe supply during extreme events as well as extended drought periods.*
- *Physical Infrastructure – the project will review relevant national codes, standards and guidelines for the design and construction of rural infrastructure, as well as integrate and disseminate climate resilience measures into this guidance for wider replication.*
- *Forests and Biodiversity – the project will apply an ecosystems based approach to rural infrastructure through the planning and implementation of complementary forest and land management measures to increase of resilience of infrastructure that is at risk from flooding and landslides.*
- *National Institutional Capacity – the project will build on and strengthen the mandate of the NAPA working groups and inter-disciplinary team which includes government officials, NGOs, the private sector and development partners, to improve national coordination, engagement and knowledge sharing.*

The Ministry of Economy has developed several other important policy documents which contribute to the country's emerging policy for environment and sustainable development, including: the sustainable land management strategy and guidelines (2010), the National Biodiversity Strategy and Action Plan (currently in draft form), as well as decrees and draft regulations on protected area establishment and management, environmental impact assessment and pollution licensing. The Ministry has also initiated its first National Communication to the UNFCCC and started the process of developing Timor Leste's first piece of comprehensive environmental legislation – the Basic Environmental Law – which is currently under consultation and will build on Article 61 in the national constitution.

B. PROJECT OVERVIEW:

B.1. Describe the baseline project and the problem that it seeks to address:

Problem:

Timor Leste is a small island developing state and one of the world's newest nations. Since independence from Indonesia a decade ago the country has made significant progress in establishing a functioning government and public service, as well as a political system with the ability to reflect the wider needs of society within a democratic framework and system of values. The country has a multi-party political system, a growing NGO sector, a free and independent press and a government that recognizes that legitimacy is based on openness, accountability and transparency. Timor Leste has recently launched a transparency in government initiative, recognizing the risks that have encumbered other natural resource rich developing nations. The country has also been rapidly moving towards increased administrative and fiscal decentralization with its 13 districts and 65 sub-districts. The international community continues to provide substantial support to the country recognizing that sustained engagement as this early stage in national development and nation building provides the best opportunity for ensuring long term and sustainable peace, security and prosperity.

And so it is with the issue of climate change. Early action to recognize the incumbent risks to national development is essential, so that national planning can factor in these risks through specific actions to

reduce vulnerability in all key economic sectors. With a geographical context that locates the country both in South-East Asia and on the western extremity of the Pacific, Timor Leste is vulnerable to many of the habitual climatic phenomena and resulting impacts that are hampering the growth and development of most nations in this region. These include sea level rise, increasing climatic variability, and increasing intensity of extreme events, partially linked to the ENSO weather phenomenon. The recently completed National Adaptation Programme of Action (2010) summarises the risks associated with climate change as follow:

PARAMETERS	CHANGES
Temperature	Overall increase without significant variability across the seasons Extreme temperature events are expected to increase in intensity and length
Rainfall	An increase in mean rainfall values expected Dry season expected to become drier Extreme rainfall events expected to increase in intensity and decline in frequency
Sea level rise	Increase in line with global projections
Tropical cyclones	Expected to decrease in frequency and length of event, but expected to be more intense in their nature
Ocean	Expected to become more acid

Timor Leste is a least developed country with a growing population that remains largely dependent upon subsistence agriculture. Despite its growing oil and gas revenues, the country's economy remains volatile, characterized by high unemployment, marked rural to urban inequality and widespread poverty. Timor Leste remains 150th out of 177 countries on the Human Development Index (HDI), the lowest among ASEAN countries, with about 40% living in income poverty (NHDR, 2010). Many rural communities live in remote and inaccessible areas often with only partial access to services. In these areas local infrastructure is often of poor quality (more than 50% of rural roads are currently rated as being in 'bad condition' – SDP, 2011), limited in extent and rapidly degrading due to mountainous terrain, flooding and landslides. Communities frequently become isolated when roads and bridges get washed away or blocked by these localized extreme events. In the water sector many rural communities, including almost all in the most remote areas, are dependent on unprotected wells or springs, as well as other surface water features such as rivers, lakes and streams. Poorly maintained or non-existent drainage is a further problem in these communities which are subject to flood events with the potential to destroy or damage public infrastructure, housing and economic assets.

Increasing climatic variability and unpredictability, particularly in relation to rainfall and extreme weather events, presents a very significant additional risk to the lives and livelihoods of rural people, particularly those living in the more remote interior of the country as well as in some highly exposed coastal areas. One of the key ways in which this risk is expressed is through resulting impacts flooding and landslides on critical rural infrastructure which further degrade these assets, particularly water supply infrastructure, drainage, embankment and river protection structures, and community level feeder roads and bridges that connect with the network of national, district and rural roads. During the NAPA consultations, for example, local communities specifically noted connectivity issues as well as dwindling access to water during extended dry seasons when natural springs reduce in flow or cease altogether. These direct risk factors are supplemented by additional indirect effects resulting from a combination of steep terrain, fragile ecosystems and poor land management regimes which add to the burden of flooding, siltation and landslides further undermining the integrity of built infrastructure.

Underlying causes:

The underlying causes of the problem are to be found in a combination of geographical, historical, cultural, institutional and human resource factors. As already indicated, Timor Leste has a diverse topography which is quite mountainous in the interior, relatively unstable geologically, with steep catchments (particularly in on the north side of the country) leading to very rapid, sometimes dramatic, run-off events. The construction and maintenance of an adequate rural infrastructure network in this environment is expensive and technically challenging. While the Indonesian occupation of the 1980s and 1990s did bring a measure of development, including a massive expansion of the infrastructure network, this was primarily driven by internal security concerns rather than economic development and poverty

reduction. It generally stopped short of community level infrastructure. For example investment in rural water supply was almost non-existing during this period with communities depending wholly on locally available springs and watercourses.

In the period since independence until the present day a considerable investment has been made in improving small scale rural infrastructure but this effort is still insufficient in terms of achieving universal coverage and in many cases the investments are not sufficiently robust to withstand the combination of challenging geography and increased prevalence of localised flooding and landslides, as well as climate change. Furthermore once built, rural communities are provided with limited back up and support in maintaining the asset, although this is an area where there is increasing recognition that new approaches and incentives are necessary.

Moreover infrastructure provision has been provided in a piecemeal manner without considering the need for complementary land management measures, particularly at the sub-catchment level. While there is recognition of the need to introduce improved catchment management through slope stabilisation, reforestation, terracing and other measures, these are not seen as integral to the whole process of maintaining adequate rural infrastructure. This is partly an institutional coordination issue but equally an inability to integrate such issues into local and national planning. At the local level, planning tends to be fairly project based with limited analysis of cause and effect driving the process of prioritisation. While it is relatively easy for communities and individuals to make these connections in their minds, and this was very evident during the NAPA consultations, the necessary skills to translate this knowledge into annual or multi-annual planning is much less evident.

For both historical and cultural reasons local communities and local authorities tend to interact in an overtly hierarchical manner, with insufficient effort being made to help communities to analyse needs and express these needs in a comprehensive way, while local authorities have a tendency to short circuit the consultative process in the interests of meeting national planning deadlines and requirements. With the increasing emphasis on local planning and delivery, for example through the UNDP/UNCDF supported local governance reform programme, much greater emphasis is being placed on improving the governance of local decision making including strengthening the participation of vulnerable communities in this process.

Within this overall context additional risk issues (such as climate related risks), are hard to integrate in a meaningful way. Policy makers are often reluctant to take on 'additional' concerns given existing challenges that are perceived to be more immediate. However, this perception is beginning to change, in the wake of increased community awareness. One of the most persistent catch phrases at local level today in Timor Leste is "Mudansa Climatica" – the term for "Climate Change" which has been universally adopted by the Tetum language and is now well recognized at all levels in society.

Long-term solution and barriers to achieving it:

Providing a long term solution climate risks affecting small scale rural infrastructure will require a combination of governance reform, planning, investment, policy and human resource measures. One of the fundamental building blocks will be competent, capable, accountable local administrations that understand how to incorporate adaptation measures into all aspects of their works and departments (after Satterthwaite, D. 2007). Consequently, the Government's long standing commitment to decentralized public administration, as enshrined in Article 5 of the Constitution, provides an important entry point for building resilience to climate risks, which includes ensuring that the poorest and most vulnerable communities are not left out of the process. By increasing the quality of local planning and budget processes, involving all levels of local government as well as traditional leaders and community representatives, the priorities that communities themselves see as important for their lives and livelihoods can be better reflected.

Based on the experience of the NAPA consultations in 2010, improved local planning of this nature is likely to lead to measures that would increase the resilience of vulnerable communities to climate risks. Through these consultations local officials and community leaders have already identified a wide range of risks covering water supply, roads, bridges, energy and communications networks, together with broader agriculture and food security related concerns. This kind of information, if it can be systematically and regularly integrated into local planning and decision making, can dramatically strengthen rural resilience to climate change.

In addition, the local planning and investment process provides opportunities to increase awareness and technical know-how that can build on and help to consolidate local knowledge and understanding. For example, by introducing district level climate vulnerability and risk assessments, scarce adaptation

funding can be targeted to where it is most needed, recognizing that different communities may have different levels of sensitivity to climate risks. Community mapping exercises can also help to draw the links between rural infrastructure provision and better land management at sub-catchment level, leading to specific actions that build resilience. Technical and engineering design training can help local contractors to develop cost effective ways to improve siting, design and use of materials in the context of increasing climate risks. Improved knowledge management and learning mechanisms can help to ensure that good practices are well documented and disseminated to achieve wider impacts, but equally can provide a channel to introduce new ideas and practices from the outside.

There are policy, institutional, individual, financial, technological and informational barriers that prevent the desired situation from emerging. As indicated above, local participation in decision making is only gradually taking root in Timor Leste. Local planning and decision making lacks sufficient openness and accountability to vulnerable rural communities. Consequently local knowledge on climate risks and vulnerability does not inform local planning and decision making. Planners and decision makers, themselves, do not have enough capacity to process and take into account climate risk information, and are unused to addressing the linkages and interdependencies between physical investments on infrastructure and land/ecosystem management. Within the context of a limited local development and recurrent budgets, there are no financial resources available to invest in increasing resilience to climate related risks and particularly ecosystem management based responses. Consequently the additional costs associated with adaptation are not factored into new investments or the operation and maintenance of existing investments.

At the national level climate risk information is scattered across different ministries and sectors and there is no clear repository or focal point for this information. For example hydro-meteorological data is compiled by three different ministries for separate purposes. Vulnerability mapping is carried out from different starting points including flood risk, food security risk, groundwater availability, or exposure to natural events, with no capacity to analyse the relative importance of these differing risks as they relate to different localities. Furthermore there is a tendency to overplay the influence of climate change which is frequently used as a convenient 'catch all' diagnosis for what is in fact a more complex interplay of inter-related factors. Other important barriers which are 'given' factors in addressing almost all development related problems include persistent and all-pervading analytical, managerial and organizational weaknesses within the bureaucracy, together with political barriers which restrict inter-ministerial coordination and sharing of information and ideas.

Baseline Project(s) that the project will build on:

There are several Government, UNDP and other development partner supported projects that form the baseline for the proposed LDCF grant. These projects include ongoing measures to: strengthen the Ministry of Economy and Development's role and competencies in providing national leadership on climate change and its impacts on development; improve local governance by channeling increasing financial resources to local and communities levels using national procurement and financial management systems; strengthen the country's ability to assess critical natural resources (such as groundwater) which, if used effectively, can help to strengthen long term resilience to climate risks; and improve national awareness of the interdependencies between fragile ecological resources and the attainment of national development priorities and targets.

Local Development Fund of the Ministry of State Administration and Territorial Management

Co-financing: USD 9,500,000

The LDF is an annual state budgetary allocation of the Government of Timor Leste which is implemented by all 13 districts under the guidance of the Ministry of State Administration and Territorial Management. These funds (USD 3.5 million in 2010, a further USD 6 million in 2011 and thereafter) are being delivered using government local planning, financial management and procurement systems, with the support of the UNDP/UNCDF local governance support programme. The funds are being used to invest in small scale rural infrastructure projects particularly in water supply, roads, bridges, irrigation and drainage channel, with an average project size of up to USD 50,000. Although structurally sound and clearly benefitting surrounding communities (LGSP Mid Term Evaluation Report, 2010), these investments do not take account of current climate risks and longer term climate change. Drainage channels may be insufficient to carry increased volumes of run-off; bridge designs may not take into account the additional weight of water occurring during 500-year or 1000-year flood events; community water supply schemes may not including additional storage capacity to sustain longer dry spells. The

proposed LDCF grant will provide the necessary funds to ensure that future investments through the LDF take account of climate risks by designing in the necessary redundancies to ensure longer term sustainability of the infrastructure, together with complementary land and watershed management measures.

Title: Local Governance Support Programme

Co-financing: USD 7,749,523

The Local Governance Support Programme (LGSP) is a 5 year initiative jointly funded by Irish Aid, the Government of Norway, UNDP and UNCDF. Its objective is to establish accountable and effective local government by giving local government bodies greater responsibility for planning, budgeting and implementation of rural infrastructure and service delivery. The expected results are an improved focus of resources on the rural poor, improved implementation arrangements and greater responsiveness. The programme achieves this by introducing procedures, processes and systems for service delivery as well as strengthened public expenditure and financial management. For example a multi-layered the planning and budget process has been put in place through LGSP support beginning with consultation at the sub-village level (aldeia) which, through various steps, is consolidated at the district level into an overall plan and budgetary envelope, then approved by district assemblies. Since 2010 the programme has been up-scaled to all 13 districts nationally providing an overarching framework for the delivery of state budget allocations for district development. One of the acknowledged strengths of the programme is that it has not been too dependent on foreign consultants since its inception. This means that the standard critique levied at many development programmes in Timor Leste that they lead to dependency on external advisers with insufficient transfer of capacity and know how, does not apply in the case of LGSP. Most of the project staff are Timorese nationals and as a result the systems and procedures are well understood and integrated. The mid-term evaluation report concludes on this issue that: *“the LGSP has introduced systems and procedures, and provided comprehensive and sustained capacity building and training to district and sub-district authorities, in planning, financial management, procurement, and to assembly members in their roles as decision takers. The training is highly appreciated by the beneficiaries and has improved their ability to perform their functions.”* By contrast environmental and climate related concerns are not as well integrated into the programme. The evaluation report states that *“local environmental sustainability are essential elements of a holistic system of local development promotion, which, if not tackled either by the programme or by other actors working closely with it, will undermine its achievements in the areas of social infrastructure and service delivery.”* The LGSP is in process of being extended, with LGSP-2 set to beginning implementation in 2012.

Title: National and International Environmental Management and Capacity Development through the State Budget

Co-financing: USD 2,000,000

The State Secretariat for Environment supports an annual programme of activities to promote wider understanding of the objectives of the UNFCCC in Timor Leste, both at national and local levels, as well as complementary measures to strengthen environmental management capacity at both national and district levels, through the state budget. For example the National Directorate for International Environmental Affairs (DNIEA) has a climate change unit which is preparing training for public officials on climate change, in collaboration with the University of Jogjakarta in Indonesia, as well as printed media targeted both studies and local communities in climate vulnerable districts and sub-districts (DNIEA Annual Action Plan, 2011). Through it Directorate for National Environmental Affairs (NDMA) the State Secretariat provides environmental information and data collection services, training and awareness raising on environmental issues for the general public, as well as training and support for its emerging district level environmental focal points. The annual budget for these functions has varied, in recent years, between USD 250k and USD 400k

Title: Rural Development Programme IV

Co-financing: USD 2,800,000

Under its overall Rural Development Programme IV, the European Union is providing technical assistance to strengthen the mandate and capacity of the Inter-ministerial Commission on Rural Development (ICRD). The ICRD is a national level body, chaired by the Minister for Economy and

Development, with a mandate to provide strategic guidance, coordination and oversight for all key rural development programmes, both state funded and/or donor funded. The ICRD is supported by a secretariat housed in the Secretariat of State for Rural Development of the Ministry of Environment and Economy. The EU funds will be used to establish and staff a programme coordination unit within the secretariat, carry out an institutional needs assessment, establish a rural development database, an M&E system and clearer coordination and reporting procedures. This support will be provided over a period of four years through which it is expected that the strengthened ICRD structure will increase the visibility and convening power of the Ministry of Economy. The strengthened ICRD structure will also provide a basis for improving climate change coordination. Project outcomes associated with the proposed LDCF grant can be disseminated across ministries through the ICRD and will become more visible as a result. The ICRD will also provide a forum for high level discussion of climate risks within the context of rural infrastructure and economic development.

Title: Establishment of the National Directorate for Water Resources Management (DNCQA)

Co-financing: USD 2,000,000

The Government of Australia and Government of Norway have been supporting the establishment of a new Directorate for Water Resources Management under the Ministry of Infrastructure. During its first full year of operation this Directorate has undertaken a substantial programme of research and mapping of Timor Leste's hydro-geological formations, with a specific focus on identifying the location and availability of groundwater resources. At present Timor Leste is largely dependent surface water despite the fact that a large groundwater resource is available for exploitation in certain areas. However the complex hydro-geology of the country combined with a lack of knowledge and technical skills has restricted exploitation of this resource. With additional technical and mapping capacity provided by Geo-science Australia, the Directorate has produced baseline maps which provide a starting point for climate change related vulnerability assessment. For example, the mapping clearly demonstrates that when population density is taken into account, rural communities living in certain sub-districts in Aileu, Ermera and Liquica districts are among the most vulnerable to changes in the frequency and quantum of rainfall. Other areas of work include the development of a national water resources policy and natural water resources law, and field based monitoring of rural water quality and supply. The proposed LDCF grant will be able to use this base analysis to building in additional risk factors which can be mapped at district level to produce composite climate vulnerability assessments.

- B. 2. incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF financing and the associated global environmental benefits (GEF Trust Fund) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

The project requests the LDCF to finance the additional costs of enhancing the resilience of small rural infrastructure and ecosystem services to climate risks, within the context of inclusive local planning and investments in vulnerable districts and sub-districts in Timor Leste. The impacts of climate change will affect this infrastructure through the increased risks associated with more frequent and severe droughts and floods, and more fundamental shifts in the hydrological regime undermining the ecosystem services that provide a buffer between the climate and the built infrastructure.

Component 1: Systematic Use of Climate Risk Information

Baseline: In common with most countries in the region, climate change in Timor Leste has historically been the responsibility of the lead ministry for environment (the Ministry of Economy and Development), and specifically the State Secretariat for Environment. The visibility of climate change within government was raised when Timor Leste signed and ratified of the UNFCCC (2006) and Kyoto Protocol (2008). More recently the NAPA process has helped the Ministry of Environment and Economy to clarify and demonstrate its role as the lead ministry for climate change, together with other processes such as the Initial National Communication (INC), and development of regulations to establish a Designated National Authority for the Clean Development Mechanism (CMD). The Sector Working Groups that were established under the NAPA, each with a recognized focal point, remain in place and are in use through the ongoing INC project. The NAPA office which is located in the Ministry of Economy has been integrated with the INC project office and all files and database for both of the

projects are now in one place. However there has not been any concerted attempt, beyond the NAPA, to consolidate climate and vulnerability information available from other ministries despite the fact that quite a number of relevant sectoral studies have been completed in recent years. This is partly due to the current political context which does not favour inter-ministerial coordination and sharing of reports and data (further elaborated under project risks, below). At the same time, this situation could be resolved to some extent by more actively advocating MED's role as the coordinating ministry for climate change and environment, and as the key repository of related skills, knowledge and information. For example the Ministry has previously established an Inter-ministerial Commission on Environment, but this body has not yet become operational. By contrast, the parallel Inter-ministerial Commission on Rural Development, also chaired by the Ministry of Economy, has met more frequently and is soon to receive EU support to help to establish a functioning secretariat and improved information management capability. This role of this Commission in promoting a broader vision of climate risks within government now needs to be explored. In terms of technical capacities on climate science and vulnerability assessment, this is very much nascent but some of the key elements have been introduced to key staff within the Directorate for International Environmental Affairs during the NAPA process - a vulnerability approach was applied to the consultations that were carried out in 5 districts and sub-districts and participants became familiar with processing and organizing these inputs and presenting them as summary information for prioritizing adaptation actions.

Additionality: With additional resources available from an LDCF grant the Ministry of Economy and Development's role, expertise and ability to provide advice and information on climate risks will be significantly improved, building on recent and ongoing enabling activities such as the NAPA and INC process. The first task will be to consolidate and add to the Ministry's current stock of climate risk and vulnerability assessment information. A more systematic data gathering, storage and management system will be put in place which will be easy to access by all stakeholders nationally. It may make sense for the database to be located in a more accessible location than the current Ministry of Economy Offices, for example at the University of Timor Leste. There are a number of specific partnerships within government that will need to be established and maintained in order to support this output area. The newly established directorate with responsibility for water resources management has recently completed a total hydro-geological mapping exercise which provides a critical input for vulnerability assessment. The National Directorate for Disaster Management is in process of developing district level disaster hazard and risk maps. The department of hydro-meteorology compiles climate data and is engaged in a regional capacity development exercise supported by the Asian Institute of Technology, with the capacity to develop seasonal weather forecasts (up to 3 months) based on national data. All of these data will need to be shared more widely, linked to increased expertise in analysis and application to decision making. Consequently, the main second task will be to strengthen existing capacity within the national climate team that was responsible for the NAPA process in basic vulnerability assessment, to include the integration of top down climate scenario information, with field analysis and bottom up PRA based local consultations. Given the size of the country, it makes sense for this capacity to be centralized at this time and gradually rolled to district levels. These vulnerability assessments will need to be based on multiple sources of information but ultimately will need to be finalized at the district level, linked to the local planning process, with participation and oversight from local assemblies. The third task and output area will build on improved access to information and abilities to use this information to inform planning decisions, by sharing the resulting analysis more broadly within government and beyond. There is no recognized and structured national platform for dialogue on climate change and development issues in Timor Leste, but at the same time the NAPA process showed that there is considerable appetite for such a debate. For example, the concept of climate change is now well known at all levels and frequently referred to in the national media as 'mudansa climatica'. The University of Timor Leste may provide the best location for establishing such dialogue mechanism, which would help to stimulate high levels of engagement from outside government, with the potential to also inform parliamentarians. The main focus initially would be on NAPA implementation and creating sufficient ownership of the NAPA follow up activities. In time this platform would also inform wider climate change policy development. One important element of the platform would be a strengthened internal coordination mechanism, potentially through the re-invigorated Inter-ministerial Commission on Rural Development which holds to the potential to provide issue based briefings on NAPA implementation to senior management and to the political level. As a means of stimulating and supporting this outcome area a function based training programme is proposed with a specific focus on climate risks in the infrastructure and water supply sector, among others. This programme would not be generic training but founded on an initial and

detailed analysis of national and district level staff functions as a basis for developing more tailored support that is of direct use to the everyday responsibilities of local officials, representatives and decision makers.

Component 2: Inclusive Local Planning and Budgeting to Reduce Climate Risks

Baseline: The local planning process has been undergoing significant change in recent years as the country continues to prepare itself for administrative and fiscal decentralization. A multi-layered and bottom up planning and budget process has been established, with the support of the UNDP/UNCDF Local Governance Support Programme. This process is used to allocate State budgetary resources in the form of Local Development Funds (LDF). The process generally starts in the third quarter of the year with a village level (Suco) mapping and prioritization exercise, which reflect the needs and views of several sub-villages (Aldeia). These village 'plans' are then consolidated at sub-district level, which is the first formal tier of local government, and approved by a sub-district assembly made up of government, other community leaders and NGO/CSOs. Approved sub-district plans are then further consolidated at the level of the district with the help of district development officers located in the district administrators office, and then approved by a district level local assembly with budgetary envelope. The final step has these plans forwarded to the Ministry for State Administration and Territorial Management (MSATM) for financial allocation and disbursement of funds. The LGSP provides technical support staff housed in the MSATM and at district level. It has helped to establish procurement and financial management procedures for local level infrastructure and provides ongoing technical backstopping and oversight. It operates a Monitoring Information System to manage data on individual investments and project progress. It provides consolidated quarterly reports as well as annual evaluations based on a set of minimum conditions (MCE). These evaluations have the specific purpose of providing supporting analysis to help the Minister of State Administration to allocate district funding for the following fiscal year. The MCE assesses how Local Assemblies performed in the previous year with regard to 11 basic governance indicators, measuring transparency, accountability and the community contribution to the LDP. A positive result from the MCE is a precondition for districts to receive a block grant allocation of LDF funding in the following year. The overall funding envelope has been relatively small in past years at around USD 3.50 per person but is significantly increasing to a likely USD 10 per person from 2012 onwards. The LGSP/LDF programme has recently initiated a dialogue on establishing a performance based grant approach, in addition to the current basic block grant system. This introduces new possibilities to support improved performance and the consideration of wider sustainability criteria including climate change related risks.

Additionality: Additional resources are needed to ensure that the LGSP can support introducing the necessary expertise, knowledge and skills to integrate climate risks into local planning, budgeting and budget execution processes. Component 2 provides a package of measures to do this, focusing on district officials responsible for engaging with communities and developing plans, local assemblies responsible for oversight and approval of these plans and associated budgets, local contractors and private sector entities that are engaged to design and build local infrastructure, as well as MSATM officials who advise the Minister and Vice Minister on annual allocations provided to districts linked to MCE results. The first element will be to ensure that a discussion of climate related risks is reflected in the sub-district and Suco level dialogues that support the planning process. This will require community representatives and local officials to be sensitized to climate risk issues as they relate to local infrastructure, as well as PRA based consultations with communities themselves to help to identify specific localized effects and response measures. The NAPA dialogues that were carried out at district and sub-district level provide a useful starting point for this work, but these would need to be deepened, focused more specifically on rural infrastructure and made more systematic, so that they become a regular feature of discussions and feedback at this level. The second element would be to roll out a package of training and practical advice on integrating climate risk into planning for district and sub-district assemblies. These assemblies are made up of a combination of officials and other local representatives and the LGSP programme has been supporting their analytical and review functions for several years, to which additional skill sets can now be added. For example these assemblies will need to be able to assess, based on increased amounts of available information (district level vulnerability assessments) where additional climate risks are most likely to occur and ensure that any investments in these areas build in the necessary measures (siting, design or complementary land management) to reduce these risks. They will also need to be able to review the implementation and success of these

measures through the introduction of new MCE indicators. An annual climate risk audit will be introduced to inform this process which will identify where and how additional climate adaptation funds have been spent. The third element will be to work with local contractors – there has been a significant increase in the number of contractors in the infrastructure sector in Timor Leste since the introduction of the Local Development Programme and Fund – to raise their awareness and technical know-how in supporting climate resilient construction design and build techniques. Standard Operating Procedures will need to be reviewed with these contractors and new norms, guidelines and standards applied and field tested. In the absence of detailed hazard and risk data at local level, an acceptable scenario based method for increasing necessary redundancies into construction design will need to be developed. This work will feed directly into Component 3, including the revision of relevant national guidelines and standards for wider application. The final element will be finalized, climate resilient district action plans which will have introduced additional investments to reduce climate risks including a combination of infrastructure and complementary land management measures. Land management at sub-catchment and micro catchment levels is not traditionally considered to be the responsibility of agencies responsible for infrastructure provision. At district and sub-district levels it is very important that this connection is now made and integrated into local plans. These action plans will then be forwarded to the MSATM where, with LDCF finance, these additional measures will be monetized, verified and reflected in an increased financial envelope for the next financial year.

Component 3: Physical Investments to Reduce Climate Risks

Baseline: Timor Leste's development prospects, including its ability to promote and sustain inclusive growth and poverty reduction, is closely associated with its infrastructure network, particularly in the more remote rural areas that have historically lagged behind on access to markets and critical services. In many cases the build quality has been insufficiently robust to last more than a few seasons in the face of challenging physical conditions, much of this local infrastructure having been put in place by multiple agencies and NGOs to different levels of quality during the post conflict phase. Since 2004 and the establishment of the government's Local Development Programme and Fund, Timor Leste has begun provide a more organized and systematic response to community level infrastructure needs, including feeder roads and bridges, drainage channels, water supply and storage schemes, river protection and embankments. Total capital and recurrent expenditure through the LDF during the 2010 fiscal year was USD2,302,115, rising to USD3,500,000 million in 2011 and a likely USD 6 million from 2012 and thereafter. In addition, the government is moving towards channeling a further USD15 million per year through the same planning and implementation mechanism, for larger scale investments of USD150,000 - 500,000 each. Through the gradual roll out and expansion of Local Development Funding, the government is helping to establish a cadre government staff, local community representatives and private contractors, with the ability to design, build and maintain basic physical infrastructure to more uniform standards across all districts. Recent evaluations indicate that much of the investment coming through the LDP is structurally sound and visibly benefitting local communities. However, the LDP does not take into account the additional risks that can be expected from increasing climatic variability, including longer dry spells and shorter and more intense rainfall events. Furthermore there is no coordinated approach that brings in complementary soil and land management measures that could help to buffer built infrastructure against additional climate risks. By introducing slope stabilization measures in the vicinity of roads or drainage channels, for example, the attritional impacts of silt loads during flood events can be reduced. By improving water storage capacity as well as aquifer recharge, water supply can be sustained for longer periods during dry spells.

Additionality: The LDCF grant will be used to finance the additional costs attributed to climate change in order to secure the long term viability of the Government's Local Development Programme, as well as the proposed expanded District Development Fund. This will involve direct measures to strengthen the resilience of physical infrastructure, as well as complementary land management measures at sub-catchment and micro-catchment levels. Component 3 will be driven by the planning and budget process in Component 2, with two broad forms of infrastructure investment envisaged: (i) building in 'redundancies' to ensure that existing types of rural infrastructure are more climate resilient; and (ii) introducing new approaches to infrastructure provision that will both increase resilience and diversify the range of options available to communities. For example remote rural villages in Timor Leste tend to rely on natural springs and surface water for their water and have limited storage or back up available that can sustain supply during extended dry seasons. In such cases larger tanks or storage vessels may be appropriate, either at village level or individual household level, and in some localities it may be cost

effective to invest in boreholes with community managed pumping systems. Localised flood management measures may be necessary in order to better channel excess rainy season water and reduce the damaging effects of flooding, while also capturing and storing the excess water for dry season supply. Specific weak points in the transport infrastructure (feeder roads and small bridges) which will be subject to much higher volumes of water and silt and sediment loadings, will have to be identified and strengthened or re-designed. In highly flood-prone locations, which may also be at risk from landslides, complementary land management measures in the immediate vicinity will almost certainly be necessary, including natural regeneration of vegetation, terracing, check dams, and gully plugs, as further detailed in the governments sustainable land management guidelines. These investments will be codified in the form of best practice manuals and widely disseminated. Instruction materials on the gender dimensions of climate change and water supply at village level will be produced and disseminated and related training and awareness events delivered at province level. These investments can be delivered through the existing local development fund mechanism, whereby funding envelopes are agreed annually by the MSTAM based on a combination of criterion including past performance. The vulnerability assessments to be carried out under Component 1 and integrated into the local planning process under Component 2, will provide an important means to determining how and where the proposed LDCF grant should be allocated, essentially as an increment to the existing district block grants. The complementary land management measures will have been integrated into the planning process under Component 2, but their implementation will be carried out through the relevant district authorities with the option of NGO implementation also. Knowledgeable NGOs, such as the Forestry Network, can provide both community training as well as independent monitoring and evaluation, while also contributing to compilation and dissemination of learning and best practices.

B.3. Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF). As a background information, read [Mainstreaming Gender at the GEF.](#):

Investments in small scale rural infrastructure, particularly water management and water supply infrastructure, can yield high economic returns⁶, while also helping to build on and sustain the MDGs (particularly MDGs 1, 3, 4, 5 and 7). The investments which will be made under Component 3 are expected to achieve high Economic Internal Rates of Return (EIRR) delivering measureable economic benefits to at least 100 villages (succos) within 15 sub-districts across 5 districts (most likely to include Ermera, Liquica and Aileu). The total population of those directly benefitting from LDCF resources will be more than 100,000 representing nearly 10% of the total population of Timor Leste spread across more than 25% of all villages (Succos).

In these villages climate resilience measures for small scale rural infrastructure critical to general access, agriculture and domestic water supply will be undertaken enhancing their long term sustainability in the context of a changing climate. These direct village level investments will be supplemented with wider planning and physical measures to improve the resilience of natural systems and their capacity to buffer essential infrastructure from the likely effects of increased flooding, landslides and drought, thereby strengthening the likelihood of high EIRRs as well as wider community level economic impacts. These measures will be carried out in sub-catchments in the immediate vicinity of related rural infrastructure in at least 10 sub-districts, covering at least 50,000 hectares.

The project has strong potential for wider national impact and long term sustainability, given that it will be influencing national budgetary expenditures which have been committed through a Timor Leste's District Development Fund mechanism. This mechanism has been in place for several years, is operating in all districts, and is gradually increasing in terms of the level of financing. For example over the course of 2010 USD 3.5 million dollars were implemented through this mechanism, increasing to USD 6 million during 2011 and to a likely USD 20 million per annum in 2012 and thereafter⁷. The UNDP/UNCDF local governance reform programme is providing planning, budgeting and budget execution support for all of these funds. This programme will also provide the vehicle for integrating parallel climate risk management procedures that will provide a universal mechanism influence not only

⁶ "every \$1 invested in safe water and sanitation yields an economic return of between \$3 and \$34". Water for the Poor Act, Report to Congress (Washington DC: Bureau of Oceans, Environment and Science, US Department of State, 2009).

⁷ It is envisaged that from 2012 LDF funding will be consolidated with additional larger amounts to be provided under Decentralised Development Package-1 (DDP-1) resources.

the LDCF grant but the government's baseline investment funds also.

The project will ensure that all key outputs take account of the specific gender related concerns. Women are affected differently by climate change than men, and quite often more severely. The gender integration process starts with project formulation which will need to take into account the gender differentiated impacts of climate change, and carry through into the vulnerability assessments and technical capacity development planned under Outcome 1, as well as the planning and design of specific adaptation investments to be carried out under Outcomes 2 and 3. Very often elements of the design of rural infrastructure which take into account the needs of women can be determining factors in ensuring the utility and longevity of those investments. This means that women need to be more involved in the planning process as well as decision making over investments. A specific technical guideline is planned under Outcome 3 on best practices for climate resilience measures for small scale rural infrastructure taking into account gender specific concerns. The participation of women and men with equal voice will be integral to the approaches taken to facilitate discussions on climate risks and addressing these risks, in line with the principles underlying the LGSP, UNDP's gender equality strategy as well as the GEF's own guidance and standards (Mainstreaming Gender at the GEF, 2008).

The LGSP mid-term evaluation report has made clear recommendations with regard to gender engagement with the intention of "deepening and widening gender equity and women's empowerment work of the LGSP within the LDP pilots and through its support for institutional, legislative and regulatory reform." In addition to developing a clearer gender mainstreaming strategy and implementation plan, the evaluation highlights the need to strengthen the engagement between the gender focal point within the Ministry for State Administration and Territorial Management and the LGSP project team.

B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

Risk	Level	Mitigation
Major flood or natural event of national level occurring during project implementation	I – 4 P - 1	Timor Leste has been fortunate not to suffer a major national scale natural disaster in recent years, although the 2010 rainy season, which progressed throughout the normal dry season, had a significant impact on national agricultural output. The NAPA study reviews various studies to suggest that major natural disaster related events are unlikely to increase in frequency of the coming years, although intensity may increase. The government has established a disaster risk management structure from national to community level, but significant additional support is necessary in order to make it effective. The weaknesses in the current system are well recognised and were picked in the NAPA process also. UNDP is supporting the government in this specific area including shifting the emphasis more towards prevention, not only recovery measures. Notwithstanding these measures, although the probability of such an event remains low, the impact on the country and on the project itself would be significant for several months.
Political context continues to mitigate against effective coordination across key development sectors.	I – 3 P – 2	This a broad risk area that has defined the current coalition led government and which is well recognised by all key stakeholders, including the Minister for Economy who provides overall leadership on climate change within government. National election in mid-2012 will have a significant impact on whether this issue continues to frustrate coordination over the coming years. The Prime Minister has made important statements to the effect that the next government must address the issue in a definitive manner.
Climate science and risk information is either unavailable or too coarse to be used for effective local planning	I – 3 P – 2	While Timor Leste has completed its NAPA and is in process of developing its initial national communication, the amount of climate risk information available to support planning decisions remains very limited, especially at sub-national level. One important element of component 1 of the project will be to provide training and support on how to compile and integrate available climate risk information and use this through the medium of vulnerability assessment in the context of local planning. This will entail both refining the quality of existing information and making it more readily available to planners and decision makers, but equally to help local administrations to apply kinds of investment decisions that can be made to increase resilience to climate risks even under conditions of high uncertainty.

Continued compartmentalised data collection, analysis and dissemination leading to inefficiencies	I – 2 P - 3	This risk area remains a strong probability for the foreseeable future in Timor Leste. It is partly the result of the political risk area mentioned above but also the way in which development projects are designed and implemented, without sufficient attention to the need to promote learning and sharing of data and knowledge across government. Component 1 of the proposed project will put in place a national platform for dialogue on climate data, information and risk, potentially building on the re-invigorated Inter-ministerial Commission on Rural Development which is hosted by the Ministry of Economy and Development. The Ministry of Infrastructure will be a key partner for the project, in particularly the new established Directorate that address water resources management. This Directorate is collecting hydro-met data and developing national vulnerability maps on water resources.
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B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:

STAKEHOLDER	RELEVANT ROLES
National Government	As the focal ministry on climate change and principal author of the NAPA document, the Ministry of Economy and Development is the lead government agency for the proposed LDCF grant. The project PMU will be located in the Ministry of Environment and the project board will be chaired by the Minister or Vice Minister. The Ministry will also provide the key repository for national climate change and climate risk information, a platform for stakeholder dialogue and provide a training and capacity development facility open to all stakeholders at both national and sub-national levels. Other key national government stakeholders include the Ministry for State Administration which is responsible for implementing the Local Development Programme and Fund. Additional technical expertise will be housed within the LGSP PMU which is located in the Ministry for State Administration, with the capacity to review district plans from a climate resilience perspective, as well as related investments in rural infrastructure. Annual evaluations of the planning and implementation process from a climate change perspective will also be carried out. The Ministry of Infrastructure, specifically the National Directorates for Water Supply and Water Resources, will provide technical expertise in the design of climate resilient rural infrastructure as well as in vulnerability assessment using its hydro-geological mapping expertise. The Ministry is also the caretaker of construction norms, guidelines and standards and will need to engage with the project in reviewing this material from a climate risk perspective.
District Administrations	The main focus of the proposed LDCF grant is to support districts in improved planning, budgeting and implementation of small scale rural infrastructure within the context of a changing climate. The project will work in at least 5 districts with both the district administration and local assemblies. The districts represent the apex of the local planning process which compiles a bottom up approach beginning with aldeia and succo level planning and compiling an overall district plan within an appropriate financial envelope for approach at national level. Much of the technical capacity for introducing climate resilience measures into the planning process will need to reside at the district level both within the relevant sectoral departments (water, infrastructure, drainage) but also with the district environmental affairs officer and district development official.
Local Assemblies	As part of the country's gradual progressing towards decentralization, local assemblies have now been established at both district and sub-district levels throughout the country. These assemblies, which are made up of officials, community leaders, community members and NGOS, play a key role in the annual planning process, discussing and approving draft plans which are then submitted to the Ministry of Social Solidarity for funding under Local Development Programme and Fund. The importance of these assemblies is likely increase in the near future with the expansion of the Local Development Programme and Fund to include larger scale PDD1 funds (Decentralised Development Package) which will be consolidated under a single District Development Fund and integrated planning process. The local assemblies will be provided with additional awareness, skills and tools to evaluate district plans from a climate risk perspective. As such, they will provide an essential review point for the local planning process helping to integrate climate adaptation measures into district level funding.
Communities/villages	Local communities are represented in the local planning process as aldeias, or hamlets, of which there are over 2000 across all of Timor Leste's 65 sub-districts and 13 districts. Each aldeia is essentially a collection of households, sometimes as few as 5-7 households with several aldeia representing one succo (village) and several succo making up one sub-district. Therefore the aldeia is the starting point for district level planning contributing towards the development of succo plans

	which are then forwarded for review to sub-district assemblies. These plans are critical in the allocation of resources under the Local Development Programme and Fund. The proposed LDCF grant will support the integration of climate resilience measures through this bottom up planning process, thereby directly influencing the way in which block grants are allocated.
Local NGOs	Local NGOs provide vital implementation capacity and knowledge which will be particularly relevant for the ecosystem and land management based actions to be implemented under Component 3 of the proposed grant. For example the national network of forestry NGOs (Forestry Networking) which, collectively, has the ability to work in most sub-districts across the country carrying out PRA based exercises, training and technical support in soil and water conservation as well as forest management.
Other UN Agencies	UNDP will work closely with the UN Capital Development Fund (UNCDF) which is one of the key project partners of the national Local Governance Reform Programme. UNCDF specializes in local government systems and has helped to establish procurement and financial management and accounting systems for districts that supports delivery of block grants through the Local Development Fund mechanism. UNDP is working in close collaboration with other UN agencies in supporting national implementation of the NAPA, including FAO and UNICEF.
Development Partners	There are a number of development partners in Timor Leste which are working in support of NAPA objectives. Irish Aid is already a key partner in the Local Governance Reform Programme. The Australian Government is supporting the vulnerability assessments linked to the Initial National Communication to the UNFCCC and has also helped the Government, with the Norwegian Government, to establish a National Directorate focusing on Water Resources. This work provides part of the baseline and co-financing for the proposed LDCF grant because of work done in mapping Timor Leste's hydrological resources as well as in identifying areas of high vulnerability to drought. The European Union is in process of design an adaptation programme with Global Climate Change funding, but the scope and intent of this initiative is unknown. However it is also providing TA to the Ministry of Economy and Development to support the Inter-ministerial Commission on Rural Development and as such is a key stakeholder for the proposed LDCF grant. The project management structure for the LDCF grant will be aligned with the EU TA work, as well as the ongoing PMU structure supporting LGSP. The National Directorate for Water Resources which is being supported by Norway and the Australian government will be invited to sit on the project board.

B.6. Outline the coordination with other related initiatives:

Overall coordination of the proposed grant will be provided by the Ministry of Economy and Development, as lead ministry for climate change. The State Secretariat for Environment provides the main focal point within MED through its Directorate for International Environmental Affairs, which will house the PMU as well as the proposed climate risk information database and system under Component 1. The IEA Directorate is already the focal point for the NAPA national team and sector working groups which will be retained and further expanded under the project, providing a national platform for dialogue on climate and risks and opportunities for development. The Directorate for National Environmental Affairs (NDMA) already provides baseline environmental management and training support both at national and district levels, as well as a public outreach programme. These on-budget measures provide an important context and starting point, specifically for Component 1 related activities.

The proposed national platform for dialogue, which could also serve as the project board, will meet regularly with the purpose of sharing information and promoting coordination both across government and among key stakeholders such as academia, NGOs and donor partners. These dialogues are expected to contribute to the effective implementation of the grant but equally to the elaboration of a national climate policy and institutional structure in the longer term. The dialogues will also enable and facilitate increased donor coordination which is currently inadequate. A number of donors are planning to implement new projects linked to the NAPA including ADB and JICA (large scale infrastructure) and the EU through its Global Climate Change Alliance program.

The EU is also supporting the re-establishment of the Inter-ministerial Committee on Rural Development, chaired by the Minister for Economy and Development. This important initiative will strengthen secretariat and database management functions, also providing a forum for discussion of related climate risk issues as an element to rural development. It is envisaged that this forum will improve the visibility of the LDCF grant outputs as well as contribute technical advice and review at critical points during the project, including inception activities, mid-term evaluation and final evaluation.

Components 2 and 3 of the project will be implemented through the existing LGSP, which is a well recognized programme with a known track record and with established linkages with other donor programmes. The LGSP is managed through the Ministry of State Administration (MSATM) by a national PMU with corresponding teams located in each district. The MSATM will function as the responsible party for Components 2 and 3 and the LGSP PMU will function as a sub-PMU for the project, with all necessary project planning, monitoring and reporting being handled by the central PMU located in the Ministry of Economy and Development, reporting to an overall project board to be chaired by the MED Minister or Vice Minister. Relevant project core staff and consultants will be allocated between these two PMUs, as well as at the district level, reporting to an overall project manager within the central PMU.

The Directorate responsible for water resources within the Ministry of Infrastructure will be a further key project stakeholder contributing primarily to the vulnerability assessment under Component 1 but also to the identification and review of adaptation options under Component 2. The Directorate will be included in a technical support team advising implementation of the LDCF financing, and may also act as the responsible party for the delivery of several specific project outputs under Components 1 and 2 (training, vulnerability assessment, preparation of guidelines).

At subnational level the project will follow the well-established LGSP/LDP mechanisms which comprise a bottom up planning process, strategic and budget oversight provided by district and sub-district level local assemblies, and strengthened financial management, procurement, reporting and M&E procedures within district bureaucracies. NGO engagement will be primarily through the representation on local assemblies. In addition, national NGO networks may be engaged through the districts to support implementation of the proposed sub-catchment level soil and water management measures building on experience gained from UNDP's recent sustainable land management project.

C. DESCRIBE THE GEF AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:

Through its engagement in both the NAPA and INC processes, UNDP is well placed to support implementation of Timor Leste's first major climate change project. One of the most important and enduring elements of the NAPA process was the establishment of a national team drawing from all sectors of government and including academia, donor partner representatives and NGOs. The NAPA process has become well recognized as a result, including a Sector Working Groups structure which will remain invaluable for NAPA implementation. A similar structure, drawing from the same group of individual, has been established for the INC also, through which UNDP maintains continued week by week engagement. The proposed LDCF grant would ensure that this existing network of professionals can continue to meet and exchange views, knowledge and information through the proposed establishment of a platform for national dialogue on climate change, with a specific focus on climate risks.

UNDP and UNCDF have an established and well recognized track record in local governance reform in Timor Leste. The Local Governance Reform Programme has been in place since 2007, implemented through the Ministry of State Administration and Territorial Management (MSATM), working initially in 8 districts. This programme was founded on a previous Local Development Program (LDP) which started as a pilot in 2004, and was later expanded and integrated into the wider LGSP. The objective of the LDP was to test a decentralized service delivery model that provided for local discretionary block grants and local decision-making powers. The aim was to strengthen local capacities, ensure community participation in government decisions, and generate practical and relevant policy lessons leading to the promotion of an effective and more transparent local governance system. The LDP is the longest operating local development programme in Timor-Leste and is now fully integrated in the Government system. The national scale-up to all 13 districts occurred in 2010, clearly demonstrating a high degree of ownership by the Government at all levels. The Government also now commits its own resources to LDP budget allocations, providing clear evidence of success. The LDP and its wider parent program (LGSP) provide the principle entry point for channelling additional resources from the proposed LDCF grant for climate resilience measures for small scale rural infrastructure.

Through support provided in administering block grants, UNDP and UNCDF have considerable experience and understanding of what works effectively in the provision of small scale rural infrastructure in Timor Leste. These grants have almost uniquely been channelled in transport infrastructure projects, small scale irrigation works, draining and canalization, water supply schemes, as well as local markets and

community meeting centres. This builds on UNDP's unique previous experience in infrastructure provision during the post conflict reconstruction process, involving supervision and quality control of contractor contracts for road and bridge reconstruction, as well as waste management.

The proposed complementary soil and land management measures to be carried out under Component 3 provide an essential element in the project's overall approach to climate resilience measures for rural infrastructure. Natural systems help to regulate surface and ground water flows, providing a natural buffering effect against flooding, siltation, landslides and seasonal drought events. Through UNDP's sustainable land management project which focussed on agricultural, forestry and other terrestrial land, practical training and skills were provided for local people, as well as operational guidelines and a review of relevant policies and institutional mandates. The key counterparts for this programme were the Ministry of Agriculture, specifically the Department of Forestry, as well as the State Secretariat for Environment. Local training and implementation was provided through a network of forestry NGOs providing possible implementing capacity for the ecosystem based elements of the proposed LDCF grant also.

UNDP's country office operations are supported by regional advisory capacity based in the UNDP Asia Pacific Regional Centre in Bangkok. UNDP has dedicated Regional Technical Advisers focusing on supporting adaptation programming and implementation in a range of technical areas relevant to this project including disaster management, infrastructure development, eco-system based adaptation, capacity development, and local governance reform. Our network of global Senior Technical Advisors provide additional technical oversight and leadership helping to ensure that programmes on the ground achieve maximum policy impact.

C.1 Indicate the co-financing amount the GEF agency is bringing to the project:

UNDP co-financing will primarily be provided through its Local Governance Reform Programme (LGSP) which has been running since 2007 and is in process of being extended until 2013 and beyond. The total co-financing from this project at this point is USD 7,749,523, not including the proposed extension phase. Therefore this figure will very likely be revised upwards during the detailed project preparation phase. There is a high degree of confidence in this outcome because the LGSP was initiated under a previous government and continued to be supported under the current administration. It has also proven to be robust and effective and, as a result, has been scaled up from an original 8 districts, to all districts nationally. UNDP will commit additional cash co-financing to the implementation phase of the project. The indicative figure at this point is USD 300,000.

C.2 How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) staff capacity in the country to follow up project implementation:

The objective of the proposed LDCF grant is closely aligned with the Government of Timor Leste and UNDP's vision for economic growth and development which focuses on social cohesion, good governance, poverty reduction and environmental sustainability, as reflected in the UNDAF (2009-2013). UNDAF Outcome 1 relates to need to develop stronger democratic institutions and mechanisms in order to promote and consolidate social cohesion. Given Timor Leste's recent history, these are issues that are fundamental to maintaining security and continued economic growth and development. Social cohesion and the participation of citizens is therefore an important pillar reflected in UNDP's Country Programme Document (2009-2013) under outcome 2. This is being delivered through measures to establish effective and accountable local government which fosters the participation of all citizens. UNDP/UNCDF is delivering on these outcomes and objectives through its Local Government Support Programme, a flagship programme which has recently become national in scope and has a high degree of ownership across government, both at national and district levels. The LGSP process and mechanism provides a main channel for the delivery of the proposed LDCF grant.

UNDAF Outcome 2 focuses on vulnerable groups, improving livelihoods, reducing poverty and strengthening capacities to manage and recover from disasters. Corresponding UNDP-Timor Leste Country Programme outcomes include improving capacities of government institutions and communities to implement adaptation strategies (Outcome 6), as well as strengthening institutions and communities to prevent, reduce and mitigate the effects of natural disasters and climate change (Outcome 7). Here UNDP

Timor Leste has been providing long term support to the government in establishing a national policy and institutional structure for disaster risk management, with a follow programme focusing establishing corresponding mechanisms at district, sub-district and community levels. In the area of climate change UNDP TL has supported the implementation of the NAPA as well as the Initial National Communication to the UNFCCC. Sustainable land management policy, guidelines and standards have also been developed.


The UNDP Country Office is sufficiently well resourced to provide the oversight necessary to support the GoTL in implementing its first LDCF funded programme. Over the past two years UNDP has been working closely with the Secretariat of State for Environment in developing and completing the NAPA process and document. This work has been very visible nationally, and has provided the key inputs on climate change for the Strategic Development Plan (2011-2030) recently approved by Parliament. The proposed LDCF grant will engage both UNDP's governance practice area and environment and climate change practice area, as well as the Deputy Resident Representative for programmes. The governance team has 6 professional and support staff while the environment and climate change team has 5 professional staff and 2 international interns, as well as one climate change manager embedded in the Secretariat of State for Environment offices responsible for the initial national communications projects. The procurement team 4 full time procurement analysts. A regional technical adviser on adaptation based in Bangkok will provide ongoing implementation oversight and support throughout the project, as well as the UNDP lead adviser on adaptation, also resident in Bangkok.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Mr Mario Ximenes GEF Operational Focal Point	National Directorate for International Environmental Affairs	MINISTRY OF ECONOMY AND DEVELOPMENT	09/22/2011

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF policies and procedures and meets the GEF/LDCF/SCCF criteria for project identification and preparation.					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Yannick Glemarec, Executive Coordinator, UNDP/GEF		October 3, 2011	Angus Mackay (LECRDS)	+66 2304 9100 ext 2784	angus.mackay@undp.org