

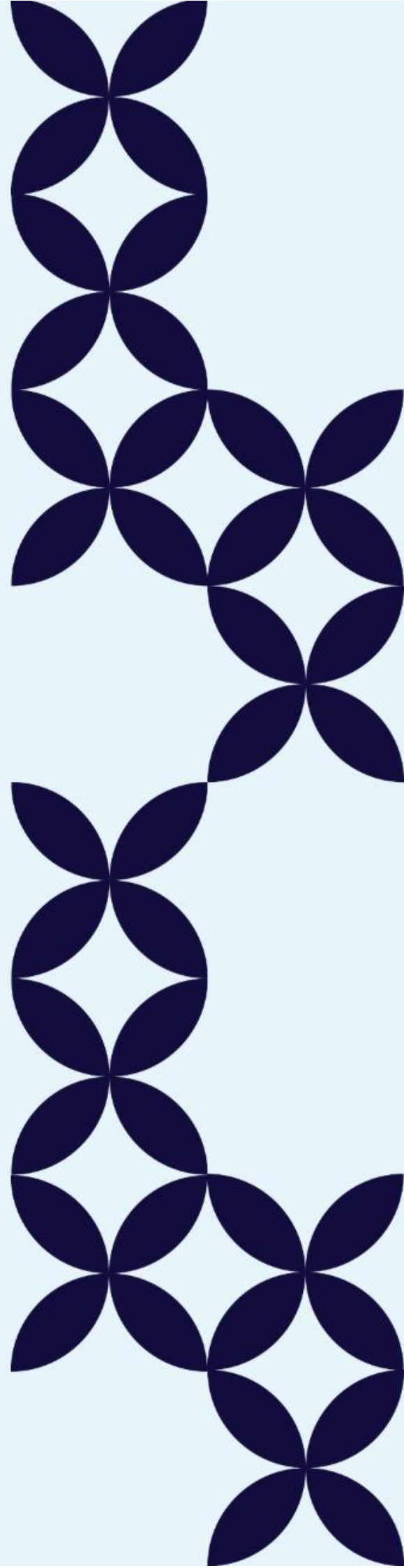
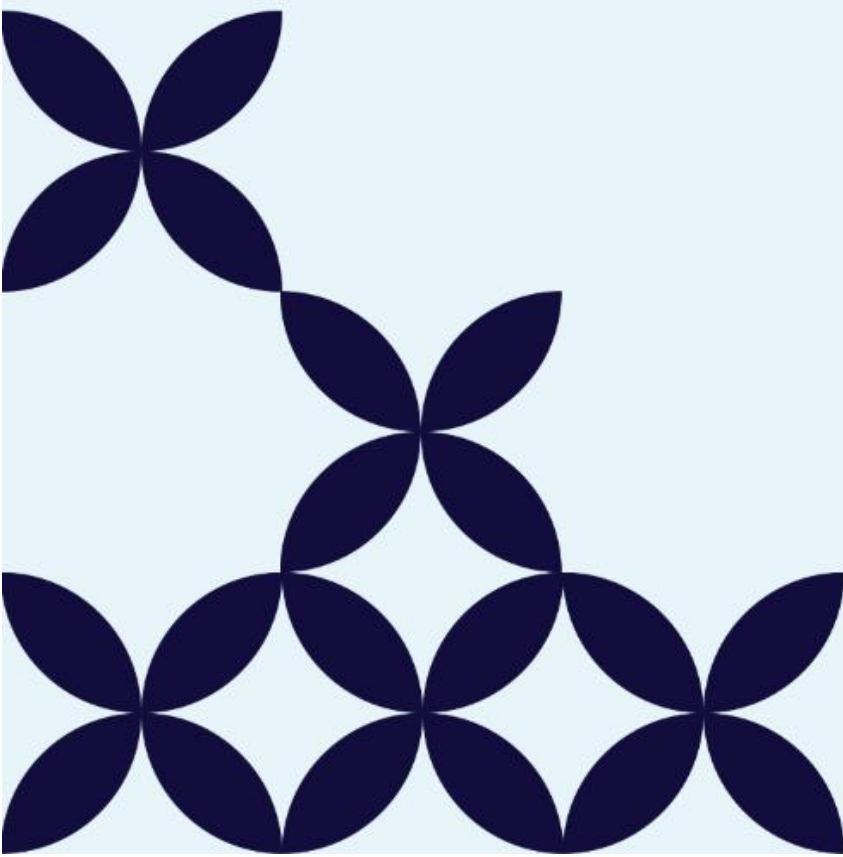


NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

Timor-Leste

Four Year Plan

December 2021



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Purpose of this document

The New Zealand Ministry of Foreign Affairs and Trade (MFAT) has developed this Four Year Plan (4YP) to guide the planning and management of New Zealand's development engagement with Timor-Leste, and as a platform for dialogue with public/private sector and civil society stakeholders.

The 4YP is used to bring clarity to what work should be prioritised and to help monitor progress towards the achievement of shared outcomes and strategic goals.

This is a living document that will be refreshed periodically to ensure it responds to changes in country context, including impacts of external shocks such as COVID-19.

An integrated approach

While the focus of this paper is on the development relationship, Aotearoa New Zealand pursues an integrated approach to engagement with Timor-Leste. We focus on coherence across our diplomatic, trade and economic, climate change, environment, security and development, especially inclusive development, objectives to facilitate sustainable progress, while advancing New Zealand's interests and values. As such, our development contribution (policy and financial) is an integral pillar of our foreign policy – it reflects our network of international relationships and commitments, and is an expression of our values.

Enduring principles for New Zealand's development cooperation outside of the Pacific

New Zealand's 20-year global development vision is: '**Kia tuitui i ngā muku, koa herea ki tōna painga**' – tying together the strands to make a strong bind for the greater good.

The **enduring principles** that guide New Zealand's engagement outside of the Pacific are:

- **Te Puna Manaaki** (Fountain of support):

Our engagement will be underpinned by the values of whakahoahoa (partnership), including honesty, trust and respect. We will listen and consult, and act in partnership with predictability and consistency. We will confidently share New Zealand's views and perspectives, being clear about the things we will do and the things we will not do. The strength of our partnerships empower us to communicate openly even where our views may differ.

- **Raranga te Muka** (Weaving the strands):

New Zealand's global development investments contribute towards global and regional security and prosperity, and to our national interests. Our support helps to address global development challenges and issues that are too big for any country to address on its own, while securing a platform on which to advocate for the things we value, including the Pacific. Through this approach we achieve pānga ngātahi (collective impact).



- **Tātou Tātou** (All of us together):

We will focus on collaborating with partners to upscale our ambition and magnify our impact, especially in the Indo-Pacific region where our engagements will contribute to ensuring New Zealand's own prosperity together with that of our regional and country partners. Through this approach we achieve painga takirua (mutual benefit).

- **Te Pae Tawhiti** (A shared horizon):

Our engagement will bring a long-term pakari (resilience) perspective, consistent with New Zealand's enduring interests. We will seek lasting impact through a focus on human capability development; economic and climate resilience, and kaitiakitanga (stewardship).

Timor-Leste overview

Context

Since its founding in 2002 the Democratic Republic of Timor-Leste has become a peaceful and democratic society subject to the rule of law. Located in maritime South East Asia, it has a population of 1.3 million people. Most speak the Tetun language, and some 15 other local languages plus Portuguese and Bahasa Indonesia are also spoken.

Timor-Leste's population is young, with around 75% under the age of 35. This creates a demographic opportunity as the country has a large labour force. However, employment opportunities remain limited and there are significant constraints to the business-enabling environment. Labour mobility is an important source of revenue through remittances. Around 70% of the population live rurally and subsistence agriculture is their main means of livelihood.

Timor-Leste has the highest proportion of female parliamentarians of any country in the region. It is regularly ranked as one of the most democratic countries in South East Asia by the Economist's Democracy Index. However, this status would be undermined if three laws (on defamation, cybercrime and privacy) currently being considered by the Government of Timor-Leste (GoTL) proceed.

Political instability has been a challenge since the country was founded, with only one of the eight elected governments seeing out its full five year term. As a result, Timor-Leste's state sector operated on month-to-month appropriations over much of the 2018-2020 period because of delays in approving the state budget. The 2021 budget was approved on time but the COVID-19 pandemic is causing uncertainty over delivery.



Timor-Leste's Human Development Index (HDI)³ rank of 141 reflects chronic severe poverty, with over 40% of the population living below the national poverty line. More than half of Timorese children under five years old are stunted because they do not have access to enough good quality food. The country's HDI also reflects high educational inequality, including variable access to quality education.

The economy relies heavily on oil and gas reserves, with its US\$19 billion Petroleum (sovereign wealth) Fund accounting for over 80% of the national budget and 80% of GDP. Petroleum Fund drawdowns are broadly double the level at which they are considered sustainable, particularly since these resources may soon run out. While some large oil-related infrastructure investments have been completed, the sector provides little employment for Timorese.

Overseas remittances, agricultural exports and tourism have been developing and have the potential to deliver more widespread and equitable benefits. Health, education and welfare spending is comparatively low. Barriers to reducing poverty include import dependency, lack of economic diversification and non-agricultural employment options, and the limited educational opportunities available to its citizens.

Timor-Leste is also vulnerable to climate change events, including longer drought periods and shorter and more intense rainy seasons.

COVID-19 and flood impacts

The COVID-19 pandemic has exacerbated existing economic, food security and social challenges in Timor-Leste. While the country succeeded in averting the spread of COVID-19 during 2020, community transmission began in March 2021 and there was a significant outbreak of the Delta variant peaking in August 2021.

Timor-Leste has received significant donor support for its COVID-19 response, with Aotearoa New Zealand providing support valued at NZ\$5 million for PPE as well as emergency small grants to local civil society organisations to improve food security. However, despite high public expenditure including one of the world's largest per capita COVID-19 relief packages, the COVID-19 pandemic has led to increased inequalities and has had far-reaching consequences. These include:

- rising food insecurity; decreased production in some agricultural sectors; small business closures; and rising unemployment and increased poverty levels, particularly in urban areas
- supply chain disruptions which are preventing farmers from accessing agricultural imports or transporting goods to market
- continued struggles in the tourism sector

³ The Human Development Index (HDI) was created by the United Nations Development Programme (UNDP) and is intended to emphasise that people and their capabilities should be the ultimate criteria for assessing a country's development, not just economic growth. <http://hdr.undp.org/en/content/human-development-index-hdi>



- expected long-term negative impacts from many children being without education since March 2020 due to school closures and lack of access to online learning equipment (while the lockdown in Timor-Leste's capital city Dili ceased in mid-2021, many schools have not reopened fully)
- disproportionate and differential impacts on vulnerable communities including women and girls, children and youth, persons with disabilities, and other already-disadvantaged groups
- a dramatic rise in gender based violence, and concern around the risk of increased youth violence. Police conduct is under scrutiny after high profile incidents of brutality.

In April 2021 the country experienced severe flooding which destroyed rice and maize crops, resulted in 42 deaths, and displaced 15,000 people. Aotearoa New Zealand and other partners provided humanitarian support but significant infrastructure damage remains. On a more positive note, coffee exports have rebounded from a drop in 2020.

Timor-Leste's National Development Plan

The GoTL's Strategic Development Plan 2011-2030 provides a 20 year vision that reflects its 'aspirations to create a prosperous and strong nation'. The plan covers social capital, infrastructure, and economic development.

In July 2021, the GoTL presented its six priorities for the 2022 budget, themed a 'Quality, sustainable and inclusive growth budget'. Its priorities are:

- social capital developments (education, training and health)
- housing and social inclusion
- productive sector developments (agriculture and tourism), environment and connectivity
- private sector and cooperative development
- rural development
- good governance.

The GoTL's guidance provides a strong mandate for continued action in the areas in which New Zealand's development support is currently focused.

New Zealand's partnership with Timor-Leste

Aotearoa New Zealand has a warm relationship with Timor-Leste which was founded on defence and policing support, and on development assistance. Aotearoa New Zealand has had a diplomatic presence in Timor-Leste since 2000, first opening a New Zealand Embassy there in 2005 followed by a new Embassy complex in 2009, including a residence for the Ambassador. Timor-Leste has an Embassy in Aotearoa New Zealand.

In 2016, the two governments signed a Joint Commitment for Development (JCfD) which set out the principles and priorities under which they would cooperate, coordinate and partner in agreed areas.



While this JCfD expired in December 2020 discussions are planned to agree on a successor Statement of Partnership (these discussions have been delayed by the COVID-19 pandemic). New Zealand's input into the Statement will be based upon the contents of this 4YP.

In the 2016 JCfD the two countries committed themselves to "strengthening the relationship through mutual trust, respect and the recognition of the responsibility of the Timor-Leste Government to lead and deliver services in Timor-Leste".

Aotearoa New Zealand undertook to:

- contribute to sustainable development and good value for money through a programme guided by Timor-Leste's Strategic Development Plan 2011-2030 and the GoTL's Aid Policy, and focusing on three key areas: the private sector, particularly agriculture and tourism; improving knowledge, skills and education; and security and justice
- target women's economic empowerment, safety and security; and integrate gender equality, environment and climate change, and human rights issues into investment.

Timor-Leste undertook to:

- provide guidance to development partners by identifying priority sustainable development needs and engaging in constructive high-level and sectoral policy dialogues
- engage with development partners to deliver on its commitments in women's economic empowerment and gender equality, environment and climate change, and human rights
- improve public sector effectiveness and accountability through transparent public financial management processes and public sector performance management.

New Zealand's 4YP strategic goals in Timor-Leste

New Zealand's overall bilateral relationship with Timor-Leste includes defence cooperation, shared security interests, regional integration and support for Timor-Leste's accession to ASEAN, and also climate change resilience and disaster response. Aotearoa New Zealand also provides development support through multilateral fora (including for Timor-Leste's accession to the World Trade Organisation), grants to local and international civil society organisations, humanitarian assistance, and scholarships (both tertiary and short-term, including ASEAN integration and English language training).

The following goals for our development relationship are predicated on Aotearoa New Zealand and Timor-Leste continuing to have a resilient partnership that is based on our shared adherence to principles of democratic governance, rule of law, human rights, free trade, and transparency.



Strategic goals

<p>Goal One: Timor-Leste has a more diverse, inclusive and resilient productive sector</p>	<p>A flourishing productive sector is essential for national well-being, recovery from the COVID-19 pandemic, and long term resilience. Timor- Leste has set the goal of diversifying its economy to create employment, generate higher incomes, and reduce the dependence of the national budget on Petroleum Fund income.</p>
<p>Goal Two: Timor-Leste has a better- educated population</p>	<p>Recognising that improvements in early childhood education (ECE) learning outcomes facilitate better outcomes from all levels of formal education, the GoTL and Aotearoa New Zealand have set a goal of improving the quality of, access to, and equity in ECE. We are also aiming to foster sustainable development through improved workforce skills and strengthened public sector capability.</p>
<p>Goal Three: Timor-Leste citizens live in safe, secure and equitable communities</p>	<p>This goal recognises that safety, security, the strong rule of law and the realisation of human rights are essential for the well-being of Timor- Leste communities and of the country as a whole.</p>

Specific outcomes linked to our strategic goals

The logic diagram annexed to this 4YP sets out how our strategic goals, which are long term outcomes, drive more specific **medium and short term outcomes**. Aotearoa New Zealand will work towards these outcomes in partnership with Timor-Leste.

Assumptions

In setting out the logic diagram and outcomes, we have made the following **key assumptions** which we will continue to test and monitor during the implementation of this 4YP.

- Timor-Leste will gradually emerge from the current widespread incidence of COVID-19. However, the socio-economic impacts of the pandemic are expected to last for the duration of this 4YP and will continue to require an evolving response.
- Timor-Leste's development priorities remain aligned to its National Plan. If those priorities change significantly this 4YP may need to be updated.



Risks

We have noted the following **key risks** which we will continue to monitor and develop mitigation measures for during the implementation of this 4YP.

Strategic level risks	Mitigation measures
Resource pressure on the GoTL constrains its ability to engage on the development programme.	<p>We will continue to work closely with the GoTL to understand barriers to engagement and accommodate its needs as far as possible (e.g. in terms of scheduling work).</p> <p>We will also look for opportunities to develop GoTL capacity through our support. GoTL capability will be enhanced through scholarships for civil servants.</p>
COVID-19 impacts including supply chain disruption, travel restrictions, both internationally and domestically, and public health measures including school closures and limits on group activities, will continue to impact our ability to achieve the outcomes prioritised in this plan in the short and medium term.	<p>We will ensure regular monitoring and evaluation of activities and take an adaptive management approach to our work to ensure that we can pivot existing activities and work closely with partners to understand challenges in the operating environment that may jeopardise outcomes.</p> <p>We will also proactively identify likely areas of underspend and work to respond to urgent and emerging needs where possible, in agreement with the GoTL. Outcomes may be delivered in slower timeframes than planned.</p>
Timor-Leste is impacted by further extreme weather events or health threats, resulting in significant loss of life, damage or disruption to New Zealand's development initiatives.	<p>We will offer support when required, drawing on our humanitarian partnerships and bilateral programme.</p> <p>We will follow a flexible approach to facilitate rapid adjustments to programmes where required; for example, if funding becomes available for climate change-related initiatives.</p>

Key themes supporting these outcomes

The key thematic focus areas for New Zealand's engagement are as follows:

Industry and innovation

We support equitable and inclusive economic growth and food security through productive, sustainable and climate-smart agriculture (including aquaculture). This reflects the GoTL's national development strategy of diversifying the economy, which is vital for future well-being, and also noting that oil revenues are forecast to decline steeply over the coming decade.

[Tourism initiatives are currently largely paused due to the COVID-19 pandemic: we will keep the situation under review and may reactivate our support when border and transport conditions allow.]



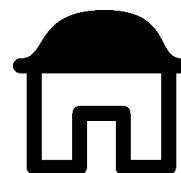
Education

We support provision of equitable and inclusive education service delivery with a focus on improving policy formulation and delivery, access to and quality of early childhood education, and provision of basic school learning materials. We also support higher learning opportunities through scholarships, with a focus on public sector capability and support for regional integration through accession to ASEAN and the WTO. Collectively, the education thematic initiatives support the development of a prosperous, resilient, and inclusive labour market.



Governance and institutions

We support improved access to justice for all, especially for the most vulnerable, with a focus on community policing and dispute resolution. This is important to help establish and maintain a stable and equitable society and also to ensure sustainable and inclusive development. We consider this is critical to ensure Timor-Leste's long-term viability and the basic human rights of its citizens.



These strategic goals and outcomes are also supported through non-bilateral programmes such as multilateral, humanitarian and partnerships programmes that may be working outside of key thematic areas identified in this 4YP.

Achieving development outcomes that are effective, inclusive, resilient and sustained

New Zealand's International Cooperation for Effective, Sustainable Development policy statement identifies four development principles that guide New Zealand's work with partner countries: effective, inclusive, resilient and sustained⁴.

Effective development is values driven, empowering, adaptive, outcomes focused, and evidence based.

In Timor-Leste we aim to deliver effective development outcomes by working in partnership with the GoTL to ensure our development support aligns with Timor-Leste's priorities. We also seek to increase localisation of our work through partnering with a diverse range of stakeholders including Timor-Leste non-governmental organisations, civil society organisations and the private sector, and by using GoTL systems where possible. We will work with other development partners to ensure coordination and maximal impact. We will prioritise monitoring and evaluation to ensure that our activities are managed adaptively, based on timely and context-specific evidence.

⁴ <https://www.mfat.govt.nz/assets/Aid-Prog-docs/Policy/Policy-Statement-New-Zealands-International-Cooperation-for-Effective-Sustainable-Development-ICESD.pdf>



Inclusive development addresses exclusions and inequality created across all dimensions of social identity, while promoting human rights, and equitable participation in the benefits of development.

In Timor-Leste we aim to deliver inclusive development outcomes by mainstreaming equity and inclusion across our development support, with a focus on key populations such as women and girls; children and youth; people with disabilities; and people of diverse sexual orientation, gender identity and expression, and sex characteristics. We will consider Timor-Leste's social context in all work. Our support in key sectors including education, civil society and law and justice will help enable all citizens to reach their full potential.

Resilient development strengthens the environment, economy, and societies to withstand shocks and manage crises while protecting future well-being.

In Timor-Leste we aim to deliver resilient development outcomes by considering climate change in our development work where relevant, and by ensuring resilience and adaptation to climate change impacts is mainstreamed. We will also support Timor-Leste to increase economic, social and governance resilience in the face of other external shocks, with a particular focus on response and recovery to the socio-economic impacts of the COVID-19 pandemic.

Sustained development enables lasting progress and is locally owned to uphold results in the long term.

In Timor-Leste we aim to deliver sustained development outcomes by developing local capacity and capability, aligning our work with the GoTL's development priorities, and working with Timorese as full partners.

How we put this plan into action

To operationalise this 4YP and therefore contribute to achievement of agreed goals Aotearoa New Zealand uses a range of actions and works with multiple partners.

International development cooperation funding for this 4YP is managed over a three year period. Current information about New Zealand's International Development Cooperation appropriation is on the MFAT website⁵.

Funding to Timor-Leste will be disbursed through bilateral programme/project initiatives, civil society initiatives and long- and short-term training scholarships.

Our 4YP goals are listed below with our currently agreed plans for achieving each of these. However, we acknowledge that given the ongoing impact of the COVID-19 pandemic it will be important to respond flexibly and nimbly if there is a need to adjust these plans.

⁵ www.mfat.govt.nz/en/aid-and-development/our-approach-to-aid/where-our-funding-goes/our-planned-aid-expenditure/



Goal One: Timor-Leste has a more diverse, inclusive and resilient productive sector

Aotearoa New Zealand will continue to support the growth of incomes and employment derived from the productive sector through working closely with the GoTL, other development partners, non-governmental organisations and the private sector. We are targeting the drivers of growth by supporting inclusive policy and strategy development, addressing marketing and infrastructure gaps, and raising the private sector's commercial and technical skills.

Priority sectors currently include:

- cropping (coffee, cocoa and spices) – increased farm productivity and income through farm rehabilitation and diversification, achieved through improved farmer access to markets, technical know-how, and inputs
- aquaculture – support for the production and distribution of genetically-improved fish, and the construction of fish ponds
- tourism – support for developing tourism strategies and products (noting that the future direction of this activity is under review due to the severe disruption caused by the COVID-19 pandemic).

Key indicators of progress

Goal One: Timor-Leste has a more diverse, inclusive and resilient productive sector	Jobs are created; livelihoods are improved; and economic resilience and diversity is built through equitable, inclusive development of agriculture, and small business
	GoTL revenue sources are diversified ⁶
	SDG⁷ Indicator: 1.2.1 <i>Proportion of population living below the national poverty line, by sex and age</i>

Goal Two: Timor-Leste has a better-educated population

Timor-Leste and Aotearoa New Zealand have set a goal to improve the quality of, access to, and equity in early childhood education. This recognises that improved learning outcomes from ECE facilitate better outcomes from all levels of formal education. A related initiative is support for curriculum materials for ECE and other levels of education. We are also aiming to foster sustainable development through improved workforce skills and strengthened public sector capability. The GoTL has undertaken to increase its budget allocations for this sector, although this is constrained at present due to the disruption in public finances caused by COVID-19.

⁶ The strategy is long-term – while tourism is largely closed down at present and is therefore not included in the indicators it is expected to remain a vehicle for the generation of jobs and prosperity in the medium term.

⁷ The Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The 17 SDGs are defined in a list of 169 SDG Targets. Progress towards these Targets is agreed to be tracked by 232 unique Indicators. <https://sdgs.un.org/goals>



Our development support will also focus on providing education and training for Timorese citizens, both domestically and (when possible, post-COVID) through access to scholarships in Aotearoa New Zealand.

Key indicators of progress

Goal Two: Timor-Leste has a better-educated population	Early childhood education learning outcomes; measures of public sector performance <i>SDG Indicator: 4.2.2 Participation rate in organized learning (one year before the official primary entry age), by sex</i>
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Goal Three: Timor-Leste citizens live in safe, secure and equitable communities

Aotearoa New Zealand will support initiatives to enhance human rights through improved safety and security within communities. This will include continued support for improving police procedures and capability, and identifying and promoting options for improved community conflict resolution. The Timor-Leste national police force (PNTL) is an important partner in this, and it will be important to ensure the PNTL receives sufficient funding to achieve and sustain these planned changes.

Key indicators of progress

Goal Three: Timor-Leste citizens live in safe, secure and equitable communities	Changes in police behaviour, particularly in relation to interaction with citizens, and to the most vulnerable of these citizens Improvement in communities' access to, and satisfaction with, policing and justice services <i>SDG Indicator: 16.3.1 Proportion of victims of violence in the previous 12 months who reported their victimization to competent authorities or other officially recognized conflict resolution mechanisms</i>
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Other support

This 4YP also includes support for civil society development initiatives contributing to realising the priority strategic goals and outcomes. Humanitarian contributions (delivered in response to disasters and other emergency situations) may also be provided in Timor-Leste, as has been done recently in response to the COVID-19 pandemic and April 2021 floods.

Emerging priorities

We will also give priority to identifying and delivering support for climate change-related initiatives if additional funding becomes available during the period covered by this 4YP.



Partnership

We will work to strengthen further our long-standing close partnership with Timor-Leste. We will pursue regular, open and constructive dialogue on regional and global foreign policy matters of mutual interest. This will include periodic Partnership Talks, plus regular dialogue at officials-level and with ministers. The Statement of Partnership mentioned earlier in this 4YP will be a significant milestone in this dialogue. We will also continue to develop our people-to-people links through scholarships and cultural exchange.



How we assess progress against this plan

We report back on progress towards our goals domestically via MFAT's Annual Report⁸. We also report back on this 4YP to the GoTL via High Level Consultations (this is normally on an 18 month cycle but is currently constrained by COVID-19) and regular sector consultations with ministers and officials. This not only gives us an opportunity to discuss what has been achieved in partnership, but also to test whether our plan remains fit-for-purpose or we need to change anything.

Shared progress against the key indicators listed for each strategic goal helps us to monitor progress at the highest level. We also support and use country-owned statistics and data to monitor country progress at the macro level, and will therefore not maintain a separate country-level measurement framework.

We support transparency and sharing of information, including publication of development programme information, contributions to the Timor-Leste Aid Transparency Portal, and regular consultation and coordination with other partners to ensure alignment of development investments and to prevent duplication.

In addition, we monitor and evaluate our development activities to ensure their effectiveness and ongoing strategic alignment. Results will be shared routinely with GoTL partners, and will also be a focus of discussion during High Level Consultations. The results and any lessons learned from this process are compiled annually and fed into an Annual Reflection discussion and report on progress against the 4YP outcomes. This in turn informs the annual updates of the 4YPs.

Every 6-8 years we will commission an independent evaluation of MFAT's overall engagement in Timor-Leste in partnership with the Government of Timor-Leste. This evaluation, which will examine and assess progress against outcomes, the challenges and any lessons learned, will inform continued improvement.

For further information

For more about MFAT's engagement in Timor-Leste go to our website at <https://www.mfat.govt.nz/en/aid-and-development/our-aid-partnerships-in-south-east-asia/timor-leste/> or contact GDS@mfat.govt.nz.

For more about the scholarships programme, go to our website at <https://www.nzscholarships.govt.nz/> or contact the Global and Scholarships Division, Pacific and Development Group at scholarships@mfat.govt.nz.

⁸ <https://www.mfat.govt.nz/en/about-us/mfat-annual-reports/>





Appendix: Logic diagram for Timor-Leste 4 Year Plan

