

INDICATIVE COOPERATION PROGRAMME

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DE APOIO AO DESENVOLVIMENTO

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COOPERAÇÃO  DEVELOPMENT

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MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE REPUBLIC
OF PORTUGAL AND THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF EAST TIMOR

1. Framework

1.1 *Background*

Since August 1999, when following a popular consultation the Timorese freely decided on their future, Portugal has been dedicated to the process for the rebuilding and development of East Timor.

This dedication, which is reflected in the different Portuguese cooperation bilateral and multilateral projects, has gone through three different stages – humanitarian emergency aid, rebuilding and development support – and has always focused on the direct requests made by the legitimate representatives of the Timorese people.

The first Indicative Cooperation Programme appear in the year 2000, its purpose being to transform emergency aid objectives into development aid objectives. It was thus that the attempt to support the creation and subsequent consolidation of the Timorese State was made, based on universal principles.

From among the different areas of cooperation with East Timor, in this transition period, particular reference should be made to the following:



Timor

- support to the education system and consolidation of the use of Portuguese as the official language by placing a contingent of 160 Portuguese teachers, receiving three hundred and fifty scholarship students in Portugal to attend higher education and technical and vocational courses and involving Portuguese universities in the running of the East Timor National University;
- provision of technical and administrative advice;
- building and rehabilitation of the urban fabric (recovery of buildings, particularly public buildings);
- support to economic development, notably by focusing on agriculture, extractive industry and tourism.

Taking the above-mentioned principles into account, the ACP for 2003 was implemented in the following priority areas:

- support to the education system, the Portuguese contribution continuing to be given in the areas of education policy and administrative management, by providing institutional capacitation to the East Timor Ministry for Education and supporting primary and secondary education. The first stage of construction of the Portuguese school in Dili was completed. The support to higher education was continued by providing assistance to the East Timor National University. The granting of scholarships to attend technical and vocational and higher education courses in Portugal continued, geared to areas not taught in East Timor and considered by the Timorese Government as having priority in the country's development strategy.
- support to strengthening institutional capacity, taking into account the appraisal of needs in the areas of government administration, Portuguese cooperation continuing to provide technical advice from the positions previously agreed upon by the two countries.
- in the area of economic development, Portugal maintained its support to agriculture, the overall purpose of which is to improve the population's living conditions and income, and the specific objective of which is to increase the profitability and diversification of agricultural production in the areas where this support is given.

- support in the areas of geology and mining continued to be provided, under the terms of the Memorandum of Understanding entered into between the Portuguese and Timorese authorities on 16.02.01.
- in the support to construction and rehabilitation of the urban fabric, response to the East Timor requests was given with regard to buildings of public interest (notably the construction of the Catholic Diocese building in Dili, the rehabilitation of the Dominican Nuns' School complex in Oecussi and the buildign of the Bidau orphanage).

Together with bilateral cooperation, Portugal continued its multilateral cooperation by supporting the Joint Programme for the Reconstruction of East Timor, initially led by the United Nations Transitional Administration in East Timor (UNTAET) and subsequently by the United Nations Mission of Support in East Timor (UNMISSET). Where budget deficit is concerned, this support has been geared to the Trust Fund for East Timor (TFET) and to the Transitional Support Programme (TSP).

1.2. *East Timor National Development Plan*

The strategy of the East Timor government is contained in the National Development Plan (NDP) and reflects the contributions resulting not only from consultations made by the Government to the different sectors of the Timorese society, through the National Planning Commission, but also a number of documents on planning that were prepared and subsequently discussed in a number of meetings of Development Partners. In addition to giving a balance on the reality of the country, the NDP attempts to lay the bases for a sustainable development strategy for the next 20 years.

With a view to implementing the NDP, Annual Action Plans for the 2002/2003 and 2003/2004 financial years have already been prepared. The NDP covers the financial years between 2002/03 and 2006/07.

The strategy for the 5 years laid down in the NDP is based on the following two objectives:

- reducing poverty in all the sectors and regions of the country;
- promoting balanced and sustainable economic growth and improving the health, education and well being of all the Timorese.

As for economic activities, these include encouraging economic growth, maintaining price stability, creating employment, and establishing a strong banking and financial sector and a prudent fiscal management.

Notwithstanding the progress already made in terms of planning, of the creation of institutional capacities and competences and of development of infrastructure,



Traditional home, Tutuala
(IPAD/CDI archive)

by creating and setting in motion the most necessary structures and institutions, there is undoubtedly still a long way to go. The fact that external assistance, which has been vital in all this process, is tending to decrease and stabilise in volume in the medium term, causes this first stage to be considered decisive in terms of guaranteeing the continued development of this

new country. It is hoped that in subsequent stages, the correct allocation of the oil resources from the Timor Sea, in observance of regulatory, fiscal and administrative legal measures, will render the country's development easier and boost its economic activity, thus securing the future of tomorrow's generations.

All the national reconstruction effort will only make sense if the State is duly equipped to perform its obligations and to face the challenges, the same applying to all the agents, without exception, involved in this great effort to build a new nation.

The Timorese financial system is still taking its first steps in development and banking intermediation plays a modest role, despite the progress made over the last three years in terms of reestablishing and developing the financial system, particular emphasis being given to the activities of the Banking and Payments Authority and of the three commercial banks working in the country (Caixa Geral de Depósitos, ANZ Banking Group and Mandiri Bank) and to the American Dollar being adopted as the official currency.

Public finance has also registered progress in these same three years, particularly as regards the reestablishment of the fiscal system after its collapse after the 1999 referendum. The taxation system and the essential services of the tax administration were reestablished. A legal framework was created for the planning and implementation of the budget.

Institutional capacitation and the training of human resources intended to fill medium and top positions in both the public and private sectors has been one of the concerns of both the Timorese authorities and the bilateral and multi-lateral development partners, due to the great likelihood of the technical advice system being reduced upon the UNMISSET mandate expiring in May 2004.

On this basis, the East Timor Ministry for the Plan and for Finance and the Development Partners, particularly UNMISSET and UNDP, are involved in designing a strategy implementing the



Traditional home, Tutuala
(IPAD/CDI archive)

required institutional capacitation at the level of both central administration and local administration, equipping them with the required organisation and teams of qualified officials. However, considering that this process may take a few years, the continuation of external assistance in this area is of quite some importance.

The growth of the Timorese foreign trade by opening the economy to external investment, increasing exports and improving the production system, particularly in agriculture, may also be a stimulus to sustained development in the medium and long term.

From this standpoint, the NDP – whose objectives have already been mentioned herein – chooses education, health, agriculture and support to the production and commercial system as the vertical areas for integrated and complementary intervention, and the capacitation of the State and of the different agents and

structures as decisive factors to attain the so much desired results. In order to ensure that economic development produces an impact on the reduction of poverty, the NDP proposes a strategy aimed at the participation of the population, essentially at the level of the community, in the economic and political development process.

2. ICP General and Specific Principles

Based on the experience acquired and on the requests of the Timorese authorities, the programming of cooperation between Portugal and East Timor for the period between 2004 and 2006 will naturally take into account both parties' technical and financial capacities, strategy and wishes.

2.1. *Priority Sectors*

Taking into account the work already carried out within the scope of Luso-Timorese cooperation and the positioning of the bilateral and multilateral cooperation in the field, it has been possible to identify the following top priorities in the bilateral cooperation between Portugal and East Timor:

- 1** education and support to the reintroduction of the Portuguese language;
- 2** institutional capacitation of the new State, notably by providing advice in different areas;
- 3** support to the economic and social development of the population, notably that of rural areas.

2.1.1. EDUCATION AND SUPPORT TO THE REINTRODUCTION OF THE PORTUGUESE LANGUAGE

Education, which is understood to include the teaching of the Portuguese language, will be the first priority of cooperation with East Timor, the main concern being to cover the territory to the greatest possible extent. This area will continue to represent the most significant part of the actions for the 2004-2006 triennium.

Accordingly, Portuguese cooperation will have to continue to dedicate its greatest effort to this area that is so important to the development of East Timor, the Timorese authorities undertaking to find the mechanisms that will render generalising Portuguese as the official language easier.

Consequently, where education and the dissemination of the language is concerned, the Portuguese intervention will be made at different levels:

Primary Education – In this sector, the intervention will focus on training Timorese teachers in the Portuguese language, notably from a didactic standpoint and in terms of improving their proficiency in the Portuguese language.

Pre-secondary and Secondary Education – At this level, support will cover the teaching and training of teachers. The shortage of teachers has led Portugal to concentrate a significant part of its financial effort at this level, thus covering practically the whole country. It is planned that this competence be progressively transferred to the Timorese party, so that the Portuguese action may focus more on the training component.

Technical and Vocational Education – The restructuring of this area of education must also be a priority, aimed at the creation of a technical and vocational secondary education network. The widening of the scope of courses presently taught to areas to be indicated by the East Timor Ministry for Education, Culture, Youth and Sports, in articulation with the Portuguese Ministry for Education, is a subject to be addressed during the life of the ICP.

Higher Education – Support to this level of education arises from the implementation of the protocols established between the Portuguese and the Timorese authorities and must continue to take the form of direct support to the East Timor National University, not only by sending Portuguese lecturers who, in the subjects that cannot yet be taught by Timorese lecturers, will help give courses in Portuguese Language and Lusophone Cultures, Electrotechnical Engineering, Computer Engineering, Agronomy, Economy and Management and train secondary education teachers in the teaching of Portuguese, but also by training the teaching staff.

Distance Learning – The already installed capacity in Dili for videoconferences, will allow East Timor to benefit from the potential offered by the “Global Development Learning Network”, where the contents in Portuguese will strengthen the use of the Portuguese language as a work tool and, at the same time, provide an economically more accessible contact between the Lusophone experts of different areas.



Timor coffee

The Dili Portuguese School – The building of the second stage of the Dili Portuguese School and its operation are projects to be included in the 2004 ACP.

2.1.2. INSTITUTIONAL CAPACITATION

The two central objectives of the Portuguese cooperation intervention in this area have to do with the technical capacitation of the public administration and at the same time promoting the establishment of Portuguese as the working language. Consequently, taking into account the survey of the existing needs and their articulation with duly programmed training actions, Portuguese cooperation undertakes to provide technical advice in the areas previously agreed upon between the two parties.

- **Support to the Prime Minister's Office**

It is anticipated that by the end of the first quarter of 2004, the television signal may be transported to all the district capitals. The extension to the entire territory of the radio and television signals will make it easier to bet on the media as a privileged means of divulging the language. Both parties understand that cooperation in the area of the media (of television, radio and the written press) must be developed.

The advice that has come to be given in the legal area will be continued.

- **Support to the Ministry for Foreign Affairs and Cooperation**

Technical advice to the Ministry's Secretary General will be given in the management, consular and protocol areas.

Training actions will be performed in the diplomatic area.

Support to defining the land borders will be given.

• **Support to the Ministry for State Administration**

The strengthening of the institutional capacity in the electoral area is considered as a priority in the East Timor democracy building process. Accordingly, it is anticipated that technical advice will be provided to confer capacities to the *STAE – Secretariado Técnico de Apoio ao Exterior* (Technical Secretariat for Support to the Exterior) staff in specific areas, by way of working training courses with the *STAPE – Secretariado Técnico dos Assuntos para o Processo Eleitoral* (Technical Secretariat for the Electoral Process Affairs) in Portugal, combined with Portuguese Language courses, as well as to render the 2004 electoral process operational, by printing material for the census and providing assistance to the reconstruction of the Electoral Documentation Centre by sending books and electoral material.

Extra-curricular education in the Public Administration will be intensified, as it is also considered to be a priority for the rapid reintroduction of the Portuguese language in the Timorese Public Administration.

• **Support to the Ministry for Justice**

Justice, in reason of being a structuring area in the development of East Timor, will continue to be one of the priorities, pursuant to the Cooperation Protocol signed



Beach,
Dili

in Dili on 3 December 2002 establishing that magistrates are to continue to be trained in the CEJ – Centro de Estudos Judiciários (Centre for Judiciary Studies) in Portugal. In addition, support to the Dili Legal Training Centre will also be given, notably under the form of technical, legal and legislative assistance and of training in East Timor.

• **Support to the Ministry for the Plan and Finance**

Advice and support to new areas will continue to be given, the following areas already having been identified as priorities: taxes, customs, administration and human resources (secretariat-general), statistics, assets and the treasury.

• **Support to the Ministry of the Interior**

The institutional capacitation of security forces, essential to internal security, will continue through the training in the following areas of trainers to be given in East

Timor and /or Portugal: dog training techniques, maritime police, cavalry, criminal investigation and intelligence services.

- **Support to the Ministry for Transport, Communications and Public Works**

Follow-up of the actions referred to in the Memorandum of Understanding signed on 3 November 2000, notably in the areas of air traffic control, radioelectric services, telecommunications, postal communications and assets.

- **Support to the Ministry for Agriculture, Forestry and Fisheries**

Where the agriculture and forestry sectors are concerned, the support will take the form of strengthening the capacity of the Ministry for Agriculture, Forestry and Fisheries, in the areas of supervising and preparing programmes



Rice field

for the agriculture sector, notably by integrating the Programme for Support to Rural Development in East Timor in this Ministry.

As regards fisheries, ways of meeting this Ministry's need will be studied within the scope of the organisation of this sector.

- **Support to the Ministry for Education, Culture, Youth and Sports**

ORGANISATION OF THE EDUCATION SYSTEM – The current laws applicable to the education system in East Timor is not adjusted to the reality of this new Nation. Accordingly, Portugal will continue to cooperate closely with the Timorese authorities in the organisation of the education system, notably in the drafting of a framework law and additional legislation.

ADJUSTMENT OF THE *CURRICULA* OF THE DIFFERENT LEVELS OF EDUCATION – Portugal will cooperate with the relevant Timorese authorities in adjusting and ensuring the complementarity of the different *curricula*.

- **Support to the Training and Stabilisation of the Armed Forces**

Portugal will continue to provide East Timor with its support in the areas of defence, particularly in the training of staff and of technical advice to the land and naval branches of the *FDTL – Forças de Defesa de Timor-Leste* (East Timor Defence Forces), pursuant to the Technical and Military Cooperation Agreement signed in Dili on 20.05.02 and to the work programmes defined and agreed upon by the two countries.

- **Support to the State Secretariat for Labour and Solidarity**

The direct institutional support to the SSSL started in 2003 with the purchase and installation of an information system for its central services and training actions for its use. In 2004 it is anticipated that direct advice will be provided to this State Secretariat, now that the information system is already installed.

- **Support to the Council of Ministers State Secretariat**

A legal adviser will be sent to provide support to the Office of the Secretary of State.

- **Support to the State Secretariat for Tourism, the Environment and Investment**

The advice that has come to be given to the Office of the Secretary of State in the area of Tourism will continue to be assured.

2.1. 3. SUPPORT TO ECONOMIC AND SOCIAL DEVELOPMENT

- **Reduction of Poverty**

Vocational training, which is considered to be a fundamental component of any sustainable development strategy, has been the area on which the East Timor State Secretariat for Labour and Solidarity has placed the greatest focus. The support to the *CNEFP – Centro Nacional de Emprego e Formação Profissional* (National Employment and Vocational Training Centre) in Tíbar will be strengthened and will continue to be supported by the Portuguese Ministry for Social Security and Employment, by maintaining the courses that are already being given and developing new training areas for this Centre, such as horticulture, cooking, housekeeping and building construction safety. The Project for Employment and Vocational Training in the District of Baucau, which was launched in 2003, will continue.



Cliffs,
Manatuto

The projects for reintegration in working life and of support to underprivileged children will be implemented in the course of 2004.

The promotion of employment by implementing programmes to support micro-credit and the setting up of small enterprises is also a priority.

- **Agriculture and Fisheries**

The tragic events of September 1999 caused a large part of the country's fragile production system to be destroyed and led to the population concentrating in the cities and to the generalised fleeing from the rural regions.

After the independence, a significant part of the international community involved in the process concluded their task and left the country, thus naturally causing a progressive reduction in employment opportunities and the growing drop in salaries, which may lead to part of the population having no choice but to return to the traditional refuge of family farming.

From among the intervention areas in this sector, which is also a poverty reduction component, the following are considered to be a priority:

- quantity production of crops;
- production of commercial crops, based on phytosanitary quality (coffee and fruit);
- management of natural resources (reforestation, recovery of a number of irrigation perimeters and crop diversification);
- creation of domestic agricultural markets, boosting of commercial opportunities and support to the farmers' community.

Portugal must maintain the support that, from the start, it has been providing to Agriculture, by way of the Programme for Support to Rural Development that, in articulation with the East Timor Ministry for Agriculture, Forestry and Fisheries and based on a knowledge and technology transfer strategy, will pursue as its overall objective, the improvement in the population's living conditions and income and, as its specific objective, the increase in the profitability and diversification of agricultural production in the areas where the support is given.

- **Spatial Planning and Geographical Information**

As a follow-up to the work already carried out in the areas of physical and strategic planning, sectorial planning and creation of a Geographical Information System (GIS), cartography will be continued, notably that geared to the creation of a real property cadastre and demarcation system and the construction and observation of a first rate Geodesic Network, in order to draw the land boundaries and proceed to urban and rural construction.

The areas of intervention in spatial planning will be: Urban and Territorial Planning System; cartography laws; stocktaking and cataloguing of the natural resources and environmental management system; capacitation and training of geography and cadastre services; definition of an environmental policy; criation of management structures and instruments for the protection and enhancement of the cultural heritage and a twinning programme with the Portuguese municipalities.

The programmes *PROHAB – Programa Nacional de Habitação* (National Housing Programme), *PROTUR – Programa de Desenvolvimento Turístico* (Tourism Development Programme) and *EDET – Esquema de Desenvolvimento do Espaço Timorense* (Scheme for the Development of the Timorese Area), which were delivered to the Timorese Government in due time, will be made operational.

Also envisaged is the support to the preparation of “Census 2004”.

• **Water Supply**

In the wake of the works for the rehabilitation of the water catchment system and of the Ataúro aquaduct funded by Portugal and recently concluded – the latter having benefited approximately 4000 inhabitants of the Eastern part of this Timorese island – Portugal will continue to be committed to this initiative by supporting the execution of the project for the building of the water system to supply the Eastern area, which will cover a further 5000 people.



Church to Bacau
(drawing,
IPAD/CDI
archive)

2.2.4 OTHER INTERVENTIONS

- **Intervention in the area of Health**

Despite the Portuguese intervention in the area of Health in East Timor not being a priority, seeing that other partners have chosen it as a priority for their intervention until 2006, notably the European Commission, it may nonetheless envisage actions in the areas of legal advice, capacitation of the Timorese health system and training, provided these are integrated in a complementarity strategy with other partners.

- **Support to the Budget Deficit**

In the donor conference held in Dili (May 2002), international aid for the next three Budgets was requested, in the amount of USD 90 million (USD 30, 40 and 20 million respectively).

In this conference, Portugal undertook to contribute USD 9 million (USD 3 million/year) to the funding of the Transitional Support Programme. This Programme is coordinated by the World Bank with funds contributed by none donors, aside from Portugal.

Portugal already contributed USD 3 million in the 2002/2003 financial year, it being anticipated that the second payment of USD 3 million will be made in early 2004 and the third and last in 2005.



Liquiçá

- **Support to the TFET**

The Trust Fund for East Timor – TFET, an IDA fund, with a total of USD 176 million, is intended to support the reconstruction and development of East Timor, one of its main donors being Portugal, who undertook to contribute USD 50 million in the Tokyo Conference. Portugal has already disbursed USD 30 million and will be making the balance available in the period covered by this ICP.

3. **Financial Framework**

The indicative financial framework foreseen for the implementation of the herein described Indicative Cooperation Programme will be of EUR 50 million, divided into the 3 years of its term.

4. **Monitoring and Assessing**

The 2004-2006 Portugal – East Timor ICP will be implemented through Annual Cooperation Programmes identifying the sectorial programmes to be developed within the scope of the established priorities and corresponding financing plan. Within the scope of these Programmes, procedures allowing for the improvement and strengthening of their monitoring and assessment will be adopted, with a view to increasing the efficiency, effectiveness and sustainability of the interventions.

Assessment will be made by preparing quarterly reports that will include project cards, containing the assessment indicators and duly quantified corresponding results. Each assessment will consider the impact of the project and its contribution to the attainment of the objectives, and the reports will contain recommendations on the intervention and similar projects to be implemented in the future.

Assessment may be made during the implementation of the project, should this reveal to be necessary, or upon it being concluded.

The actual monitoring and assessment modes will be specified by each of the Parties within the scope of the projects included in the Annual Cooperation Plans.



Dili,
North Coast

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT
OF THE REPUBLIC OF PORTUGAL AND THE GOVERNMENT OF THE DEMOCRATIC
REPUBLIC OF EAST TIMOR ON THE INDICATIVE COOPERATION PROGRAMME
FOR 2004-2006

The Government of the Republic of Portugal, herein represented by the Minister for Foreign Affairs and the Portuguese Communities and The Government of the Democratic Republic of East Timor, herein represented by the Minister for Foreign Affairs and Cooperation,

Having regard to the friendship and affinity between the people of Portugal and the people of East Timor, which comes from their historical relationship that has bequeathed them a common cultural heritage;

Having regard to the design of independence and freedom that the people of East Timor have pursued and the solidarity continuously shown by Portugal to this effort;

Having regard to Portugal's dedication and commitment to the building and consolidation of the Timorese State, to the creation of the conditions required for the

development of East Timor and to this country smoothly asserting itself in the regional and international community;

Having regard to the goal of the Community of Portuguese-Speaking Countries (CPSP) continuing to grow in strength shared by both these countries and to their recognition of the importance that the contribution of its Member-States, notably East Timor and Portugal, play in attaining this goal,

The Government of the Republic of Portugal and the Government of the Democratic Republic of East Timor have decided to enter into this Memorandum of Understanding, which shall be governed by the provisions set forth hereunder:

Article 1

This Memorandum of Understanding falls within the scope of the Indicative Cooperation Programme (ICP) for the 2004-2006 triennium and forms an integral part thereof.

Article 2

The Parties acknowledge that Portuguese Cooperation offers added value in three top priorities of the East Timor Government: education and support to the reintroduction of the Portuguese language; institutional capacitation in different areas and support to the economic and social development of the population.

Article 3

The ICP to which Article 1 above refers includes projects that are ongoing or to be commenced, arising from commitments undertaken within the scope of agreements and protocols signed by the heads of different sectors.

Article 4

The annual implementation of the ICP shall take place in accordance with the Annual Cooperation Plans (ACP) for each of the years in the 2004 – 2006 triennium.

Article 5

The entities responsible for the implementation of this Programme shall be, in respect of the Portuguese Party, the Minister for Foreign Affairs and the Portuguese Communities through the Portuguese Institute for Development Support (PIDS) and, for the Timorese Party, the Minister for Foreign Affairs and Cooperation.

Article 6

The entities to which Article 5 above refers shall monitor and assess the Programme attached hereto and shall propose all such adjustments as they may deem necessary to better implement the cooperation between the two countries.

Article 7

This Memorandum shall take effect on the date of its signing.

For the Republic of Portugal

Maria Teresa Gouveia
*The Minister for Foreign Affairs
and the Portuguese Communities*

For the Republic of East Timor

José Ramos Horta
*The Minister of State for Foreign
Affairs and Cooperation*

*Made in Lisbon on 5 January 2004 in two original counterparts written
in the Portuguese language, both of which are equally valid.*

