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## Progress Report – TIMOR-LESTE

01/01/2022 – 31/12/2022

BUILDING SOCIAL PROTECTION FLOORS FOR ALL - PHASE II

Project Code (GLO/21/34/MUL)



9 January 2023

Donor: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Admin Unit: ILO Social Protection Department (SOCPRO)

Project title:	<b>BUILDING SOCIAL PROTECTION FLOORS FOR ALL - PHASE II</b>
Report type (pick one):	<b>Annual</b>
Reporting period:	From January 2022 to December 2022

Linkages:

Strategic Policy Outcome: Outcome 8: Comprehensive and sustainable social protection for all

Decent Work Country Programme Outcome: Inclusive social protection and enhanced services accessibility

Sustainable Development Goal: SDG 1: End poverty in all its forms everywhere and SDG 1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable

UNSDCF 2021-2025 Outcome: Sustainable economic opportunities and decent work for all

Related project(s): ACTION/Portugal project, and RBTC

Preparation and Review

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# ► ILO Global Flagship Programme on Building Social Protection Floors for All

## Annual update 2022 – Timor Leste

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### 1. Country context

Timor-Leste is among the world's 'newest' countries, having recently become an independent nation in 2002, and it has now been an ILO member since August 2003. After some years of political instability, during which a UN peace-keeping mission was deployed to the country, sustainable development activities in the country have begun to take on a more prominent role, as detailed in the national Strategic Development Plan (SDP) 2011–2030.

The ILO's activities were planned and integrated into the first Decent Work Country Programme (DWCP) 2016–2020 for Timor-Leste and continued into the second DWCP 2022–2025, with a large social protection component included in both cases.

The ILO has been supporting the social protection sector in Timor-Leste, based on tripartite engagement with partners through an integrated approach that combines different projects and sources of funds to achieve common goals. Particular mention may be made of the ACTION/Portugal project, a three-year project whose first phase commenced in 2015 and which is now in its third phase (2022–2025). ACTION/Portugal is a project funded by the Government of Portugal. Prior to the ACTION/Portugal project, there had been other supporting projects operating in the country, namely PROSOCIAL in the early 2000s and STEP/Portugal from 2003 to 2013. The ILO also assigns regular budget as well as Regular Budget Technical Cooperation (RBTC) resources. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) project, which figures below in this Progress Report, has assumed a very important role in complementing the existing different sources of funds.

The National Strategy for Social Protection (NSSP) 2021–2030, approved in 2021, serves to emphasize the commitment by the Government of Timor-Leste to continuing the development of a social protection system and social protection measures for all citizens and to safeguarding their fundamental rights and guarantees as established in the Constitution of the Democratic Republic of Timor-Leste. The NSSP is the first strategic document of its kind developed in the country and sets out three strategic objectives: reduce poverty; improve and expand social security for workers; and labour towards institutional development.

Since Timor-Leste gained independence in 2002, its protection system has been gradually developed. Thus, a series of programmes and measures have evolved over time to address needs and guarantee everyone's right to social assistance and social security in accordance with the law. Timor-Leste also offers universal and free access to the national public health system.

Social protection in Timor-Leste includes both a contributory and non-contributory scheme, offering benefits in cash or in kind. Its main flagship non-contributory benefits include: a subsidy for the elderly and persons living with disabilities, established in 2008 and converted into a social pension in 2022; a poverty-targeted cash transfer for poor and vulnerable families with children, which was created in 2012; and a universal cash transfer for children and pregnant women, which was approved in 2021.

In what was a major advance for Timor-Leste, a contributory social security system was established in 2016. The system includes old-age, invalidity and survivors' pensions, as well as allowances for maternity/paternity/adoption.

The Government of Timor-Leste's desire to ensure basic income security and access to health care to people throughout their lives reflects its commitment to the Agenda 2030 for Sustainable Development, particularly with respect to achieving Target 1.3 of Sustainable Development Goal 1, on poverty eradication, and which is aimed at implementing a national social protection system, and also Target 3.8 of Goal 3, on "good health and wellbeing", which is aimed at achieving universal health coverage.

There is, nevertheless, a considerable gap between these aspirations and the reality on the ground. In Timor-Leste, only 30.6 per cent of the population is effectively covered by at least one social protection benefit, while the remaining 69.4 per cent – as many as 930,262 of the population – are unprotected. The population effectively covered by at least one social protection benefit in Timor-Leste is lower than the estimated average of 44.1 percent for the Asia and Pacific region.

While Timor-Leste has near universal coverage for the elderly through a non-contributory social pension, it faces significant challenges in closing coverage gaps and achieving universal social protection in most of the branches of social protection. In this regard, two major challenges can be identified: extending coverage to workers who are still uncovered, namely workers in the informal and rural economies; and closing gender gaps. More than 60 per cent of workers make up the informal economy, meaning that they are engaged in economic activities not covered by any formal employment or social protection. Furthermore, women are one of the most vulnerable groups. The exceptional COVID-19 social protection measures implemented in 2020 and 2021 assumed a critical role in bringing workers, including those in the informal economy, within the contributory social security system. While registration in the scheme did indeed increase during that time, it has been a challenge to keep contributors enrolled in it.

Closing gaps in coverage and providing an adequate social protection system in Timor-Leste in order to achieve universal social protection requires securing and sustaining the necessary resources for more effective spending and for bringing about the desired effect in society. Timor-Leste spends around 8 per cent of its GDP on social protection (excluding health), which is 0.5 percentage points less than the estimated average for the Asia and Pacific region, though it is 6 percentage points higher than for the Community of Portuguese Language Countries (CPLP). Social protection spending has been funded primarily by the Timor-Leste Petroleum Fund; however, with the Fund expected to be fully depleted by 2034, alternative sustainable financing options need to be explored in order to achieve implementation of the policy and programme reforms approved by the National Strategy for Social Protection (NSSP) 2021–2030.

Timor-Leste has set about laying a sound foundation for financial management reforms, particularly through the approval of key legislation, such as the Framework Law on the General State Budget (GSB) and Public Finance Management (PFM) approved in 2022, and also by increasing revenue collection, such as through additional taxes on alcohol, sugar and tobacco, which have been approved for the 2023 budget. The establishment of the governance structure as per the National Strategy for Social Protection (NSSP) 2021–2030 will have a major role to play, particularly in ensuring that adequate and

sustainable resources are channelled towards social protection, while simultaneously ensuring the efficient and effective implementation, monitoring and evaluation of the NSSP.

## 2. Progress report

**Outcome: In Timor-Leste: Improved national capacities and knowledge bases for monitoring social protection and informing social protection financing and digitalization**

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) project started in January 2022. Before the budget became available in May 2022, ILO Timor-Leste began work on the preparation of certain activities, such as detailing the workplan, initiating discussions with Government counterparts, drafting terms of reference and advertising vacancies. The first progress report was submitted to GIZ on 8 July 2022.

Between June and September 2022, the GIZ project provided four months of funding to support the ILO official in the Timor-Leste field office by covering the funding gap in this field office position during the transition from the second to the third phase of the ACTION/Portugal project. The ILO official at the field office has played a strategic role in providing technical assistance on social protection, liaising with ILO constituents and coordinating with the UN, development partners and donors in Timor-Leste. This GIZ contribution towards sharing the cost of a staff member's salary has demonstrated the high level of integration among the different ILO social protection projects for ensuring the delivery of service to the Timorese authorities.

Most of the GIZ project activities are on track, except for digitalization, which has been faced by delays in identifying the optimal web-based solution for providing social protection data sharing. However, it is important to allocate more time to some of the ongoing activities that require a strong capacity-building component so that the transfer of knowledge, ownership, and national dialogue can be achieved reliably. This applies to the dissemination of the statistics and indicators of social protection; for, this is the first time Timor-Leste has undertaken such an activity. It also applies to the policy note on sustainable financing of social protection, which will require a more extended period of learning and dissemination in close collaboration with the Government's counterparts and social partners.

It is also important to give consideration to a no-cost extension of the GIZ project. Timor-Leste is expected to hold parliamentary elections by May 2023 (they are still to be officially announced) and this process may result in delays to the implementation of activities, particularly the ones that require the active engagement of Government counterparts. During electoral campaign periods, it is frequently difficult to meet with Government officials and to involve them in the implementation of activities or to organize training. Moreover, the majority of the Government technical staff are unwilling to engage in activities if they have no clear mandate to do so from their supervisors.

## Output 1: Improved national capacities to implement and monitor the National Strategy for Social Protection (NSSP) 2021–2030

### ***Approval of the first Implementation Annual Plan 2022–2023 of the National Strategy for Social Protection***

Between 21 February and 30 June 2022, the ILO provided technical assistance to the Ministry of Social Solidarity and Inclusion (MSSI) to develop the first Annual Implementation Plan 2022–2023 for the National Strategy for Social Protection (NSSP) 2021–2030<sup>1</sup>. This Annual Implementation Plan will be used in guiding the implementation, monitoring and evaluation of the first two years that the National Strategy for Social Protection (NSSP) 2021–2030 runs.

The Annual Implementation Plan 2022–2023 was approved in June 2022, after a participatory process of consultation, capacity-building and training sessions supported by the GIZ project. This process included many meetings with key decision makers and capacity-building/training sessions delivered to technical staff from the main entities responsible for the implementation of the National Strategy for Social Protection (NSSP) 2021–2030, namely: the National Institute of Social Security (INSS); Ministry of Education, Youth and Sports (MEJD); Ministry of Health (MOH); Ministry of Social Solidarity and Inclusion (MSSI); and the Secretary of State for Employment Policy and Vocational Training (SEFOPE). A total of 20 capacity-building/training sessions were conducted between 25 March and 23 June 2022, in which 107 people participated (36 females, 71 males). These training courses have contributed to increasing staff knowledge and understanding of the strategy for the Annual Implementation Plan, as well as to strengthening staff capacity to coordinate planning and monitoring.

The Annual Implementation Plan for 2022–2023 was drafted in Portuguese and was translated into Tetum and English with GIZ funds. The graphic design of the three versions has also been completed<sup>2</sup> and the next step will be for GIZ to support the printing of the Plan prior to its distribution.

### ***Update of the Rapid Assessment Protocol (RAP) for the National Strategy for Social Protection (NSSP) 2021–2030 of Timor-Leste***

The National Strategy for Social Protection (NSSP) 2021–2030 includes information on the impact of the implementation of the NSSP on costs and the number of beneficiaries in a chapter based on the Rapid Assessment Protocol (RAP). Changes made to some of the policy reforms and the results of new data from the Census and Labour Force Survey require that the RAP be updated. As the existing Excel-based tool is being upgraded, the RAP will be transferred to an online version.

A training session on the online Rapid Assessment Protocol (RAP) was conducted on 26 May 2022 at ILO Headquarters for the Senior Social Protection Technical Officer at ILO Timor-Leste as well as on 2 December 2022 for an international consultant based in Timor-Leste. The consultant concerned was recruited through Regular Budget for Technical Cooperation (RBTC) funding and is supporting the draft of some sections of the policy note on sustainable financing of social protection under the guidance

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<sup>1</sup> Technical assistance in drafting the Implementation Plan was funded through combined resources from the ACTION/Portugal project and the Regular Budget for Technical Cooperation (RBTC).

<sup>2</sup> Graphic design funded by the ACTION/Portugal project.

of the Senior Social Protection Technical Officer. Since then, the ILO Headquarters has been providing trouble-shooting support on an 'as needs' basis.

The updated RAP results will be included in the policy note on sustainable financing social protection.

## Output 2: Improved national capacity to produce statistics on social protection

### ***Dissemination of the first Statistical Bulletin on Social Protection in Timor-Leste***

The ILO through the ACTION/Portugal project has been providing training and technical assistance to the key Government institutions and social partners responsible for the social protection statistics with the aim of improving the national statistical capacity and producing the first Statistical Bulletin on Social Protection in Timor-Leste, following in the steps of other Community of Portuguese Language Countries (CPLP) countries, such as Cabo Verde and Mozambique<sup>3</sup>.

In February 2022, the ILO Senior Social Protection Technical officer, who provides technical assistance to the Ministry of Social Solidarity and Inclusion (MSSI), took part in the drafting of the terms of reference for an intersectoral group on social protection statistics. The group comprises technical staff from the National Institute of Social Security (INSS); Ministry of Education, Youth and Sports (MEJD); Directorate General of Statistics of the Ministry of Finance (DGE-MOF); Ministry of Health (MOH) and the Ministry of Social Solidarity and Inclusion (MSSI), as well as the National Agency for Planning, Monitoring and Evaluation (ANAPMA); Public Service Commission (PSC); Secretary of State for Civil Protection (SECP); Secretary of State for Equality and Inclusion (SEI); Secretary of State for Employment Policy and Vocational Training (SEFOPE); and employers' representatives from the Chamber of Commerce and Industry of Timor-Leste (CCI-TL) and workers' representatives from the Konfederacao Sindicato De Timor-Leste (KSTL).

The terms of reference were shared and discussed with the Director General of Social Solidarity and Inclusion in the Ministry of Social Solidarity and Inclusion (MSSI) and the Director General of Statistics of the Ministry of Finance. Revisions were in turn made to these terms of reference and the MSSI legal advisers adapted them in order to gain approval of them in law. Although the terms of reference have not yet been approved, they are nonetheless being utilized in guiding an informal intersectoral group of officers from relevant Government institutions and social partners when they meet and participate in capacity-building activities. A workshop on social protection statistics was conducted from 26 to 28 July 2022<sup>4</sup>, with the goal of training technical staff from relevant Government institutions and representatives of social partners concerned with the statistics and key indicators of social protection and methods for its calculation (e.g., internationally recognized SDG 1.3. statistical indicators). The workshop was also used as a forum for sharing examples of experience from other countries, in particular Cabo Verde.

Since July 2022, the Senior Social Protection Technical Officer has been working closely with the National Institute of Social Security's (INSS) Executive Director and Head of Departments to guide them in the compilation, harmonizing and validating of the statistics on contributory social security. This process is taking longer than expected because the INSS does not have an information

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<sup>3</sup> The training on social protection statistics has been principally supported by the ACTION/Portugal project since 2018.

<sup>4</sup> Workshop funded by the ACTION/Portugal project.

management system to handle and process the data. Hence, all data compilation and validation have been done manually. The contributory social security data is spread across different departments and the data is often duplicated, thus requiring time and internal coordination to extract the most reliable data for use in summarizing. When the data has been compiled and validated, the informal intersectoral group of statistics will meet again to calculate indicators and move ahead with preparation of the Statistical Bulletin on Social Protection and its publication with the support of GIZ funds.

### ***Translation, adjustment, and deployment of the online Social Security Inquiry (SSI) for its application in Timor-Leste***

The ILO Social Security Inquiry (SSI) is the main source of global data on social protection and the ILO has applied the SSI in compiling of internationally comparable and consistent data on social security expenditure and revenue and coverage trends of national social protection systems. Data compilation on social protection is mainly driven by the administrative data received from Governments through the SSI questionnaire. This ILO/SSI tool is currently available in English, French and Spanish, but it needs to be translated into Portuguese and the requisite technical adjustments made to it so that it might be applied in the context of Timor-Leste.

Between February and March 2022, the ILO drafted terms of reference and launched a drive to recruit a consultancy firm to oversee the deployment of the online SSI for Timor-Leste. The selected consultancy firm began work on 24 May 2022 and it has completed the full localization of the online SSI tool into Portuguese, carried out all technical adjustments and deployed, tested, and documented the system. It will also allocate some hours to maintenance. The online SSI tool is ready to store the data on social protection, in particular for the purpose of aiding in the calculation of the key indicators on social protection and assisting Government counterparts to improve their capacity to produce evidence-based planning and decisions.

Populating of the online SSI tool and its dissemination will take place once the work on processing the social protection statistics has been completed. The work is in-process.

### **Output 3: Improved knowledge base and capacities to inform on sustainable financing social protection**

#### ***Policy Note on sustainable financing of social protection produced for national dialogue***

Terms of reference for a national consultant to assist in the analysis of social protection financing were drafted and a vacancy advertised in August 2022. Interviews were conducted in November 2022. A national consultant was contracted for a period of 30 working days starting in November 2022 and ending on 31 May 2023. Under the guidance of the Senior Social Protection Technical Officer for Timor-Leste, the national consultant assists in the compiling and summarizing of key information and data as per a practical handbook in order to assess financing options for extending social protection coverage and benefits adapted to Timor-Leste, as well as assist in the dissemination process.

Through the utilization of Regular Budget for Technical Cooperation (RBTC) funds, an international consultant was also recruited for the same period in order to support the drafting of specific sections of the policy note and to supplement the national consultant's technical skills and competencies. With the combined funding of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the ACTION/Portugal project along with the ILO Regular Budget for Technical Cooperation (RBTC) funds,



the team has commenced its work and it is expected that a first draft of the social protection and sustainable financing policy note will become available for internal discussion by the ILO by the end of February 2023.

The Senior Social Protection Technical Officer is conducting bilateral meetings with the Ministry of Social Solidarity and Inclusion (MSSI), Ministry of Finance, National Institute of Social Security (INSS) and social partners to brief and explain about the purpose of the policy note, its methodology, the plan for its dissemination and the part played by the various Government counterparts and social partners in the process. However, it is important to emphasize that delays may potentially arise in conducting the policy note discussions and engaging in tripartite dialogue with key decision makers, and that the dissemination process may also be delayed owing to the fact that they will coincide with the Timorese parliamentary elections, which are expected to take place in May 2023.

#### Output 4: Strengthened digital national tools and systems

##### ***Web-based solution for achieving the provision of open social protection data sharing***

The Senior Social Protection Technical Officer had several meetings to discuss the web-based solution for sharing social protection data. A meeting held on 6 June 2022 with the Ministry of Finance's Director General for Statistics helped to raise understanding of the many challenges posed to social protection data sharing owing to the fragmented nature of existing statistics and the difficulty involved in producing them regularly. Several meetings with the Executive Director of the National Institute of Social Security (INSS) have taken place owing to the fact that the INSS is one of the main producers of official statistics on social protection and is currently actively engaged in carrying out statistical work directed towards producing the first Statistical Bulletin on Social Protection. The INSS has also been developing a modular MIS system, which also stands to benefit from additional support.

In this context, the INSS is proposing the development of a citizen web portal where not only much of the social security-related information could be made available, but also social protection statistics could be stored, disseminated or published. It is expected that a decision over the format of the web-based solution will be made by January 2023.

### 3. Collaboration and Partnerships

The presence of a Senior Social Protection Technical Officer in the ILO office in Timor-Leste has allowed for the building of solid relationships and strong engagement with:

- key Government partners, in particular the National Institute of Social Security (INSS), Ministry of Finance (MOF) and the Ministry of Social Solidarity and Inclusion (MSSI);
- social partners, namely the workers' representative organization, the Konfederacao Sindicato De Timor-Leste (KSTL), and the employers' representative organization, the Chamber of Commerce and Industry of Timor-Leste (CCI-TL);
- donors – and also with the Australian Department of Foreign Affairs and Trade (DFAT) and the European Union delegation.

The ACTION/Portugal project funded by the Government of Portugal has been the main project supporting the strengthening of the social protection systems in Timor-Leste and the Community of

Portuguese Language Countries (CPLP) since 2015. The ACTION/Portugal project's third three-year phase commenced in August 2022.

The ILO is active in the following activities:

It is leading the Decent Work Country Programme 2022–2025 for Timor-Leste through which it has contributed to improving the national social protection system and its measures and procedures. The ongoing provision of technical assistance on social protection to Timor-Leste, marked by strong cooperation with the Government, has enabled the ILO to lead and coordinate UN support and to integrate assistance from other development partners with social protection in Timor-Leste.

It co-leads with UNDP work on Outcome 2 in the Results category of the UN Sustainable Development Cooperation Framework 2021–2025 (UNSDCF), and which is focused on 'sustainable economic opportunities and decent work for all'. It represents the core of the UN development system reform in Timor-Leste.

It is an active member of the Development Partners Coordination Working Group on Social Protection. This Group has been an important platform for the sharing of information, creation of synergies and integrating support from several development partners and donors that work towards the enhancing of the social protection system in Timor-Leste.

#### 4. Challenges and actions

Despite the Government's commitment to the activities mentioned in this report, lack of national capacities in social protection are often an impediment towards achieving the desired results. Such lack of capacity is usually associated with inadequate qualifications, mismatch of skills and poor competences.

Any technical assistance provided or activities implemented require a sustained component of capacity-building.

Areas of strategic planning, statistics, costing, monitoring and evaluation are quite new and unfamiliar for most of the counterparts. Inexperience of these areas within a setting marked by low capacity can present a significant challenge. Thus, while there is opportunity to continue providing technical assistance, offer training and transfer knowledge, these require the presence of a strong capacity-building component, as well as regular support and constant follow-up on activities in order for them to progress.

Another challenge is the recruiting of national consultants. The lack of adequate qualifications and competences for task profiles that require more analytical work is a difficult problem to surmount. One way of addressing this issue is commonly to recruit a national junior consultant and an international consultant to work together on the task while building national capacities.

Yet another challenge is the high turnover in staff, with frequently no replacements to fill resulting vacancies. This happens at both technical and decision-maker levels, making the capacity-building process and transfer of knowledge difficult.

In addition, despite Tetum and Portuguese both being the official languages, they are not spoken by everyone. Therefore, there is always a need to translate documents (or interpret at events) in more

than one language, including in English if a coordination with international development partners and donors is required. This is a complicating factor in the process, making it take longer than expected and very expensive.

## 5. Summary and outlook

In addition to technical assistance and analyses provided to ILO tripartite constituents, such as the generation of social protection statistics, the implementation plan of the National Strategy for Social Protection (NSSP) 2021-2030 and the costing of this NSSP with the ILO Rapid Assessment Protocol (RAP) costing tool, need to include a strong capacity-building component to strengthen the skills of national constituents.

Current and future activities of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) project will focus on this capacity-building requirement in social protection to ensure that policy decisions in Timor-Leste will be based on newly generated and well-documented information, such as the production of the forthcoming Statistical Bulletin on Social Protection for Timor-Leste. Not only will this document contribute towards advocating for more social protection, but it will also serve as a tool for building capacity during the regular update of this Bulletin and for ensuring that all activities implemented can help to create ownership by the national constituents.