

**OECUSSE**

# **SPECIAL ECONOMIC ZONES** *of* **SOCIAL MARKET ECONOMY**

**FIRST STEPS TOWARDS A NEW OECUSSE**



**2013 - 2014**

## ACRONYMS

BNCTL	Banco Nacional Comercial de Timor-Leste
BNU	Banco Nacional Ultramarino
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DHS	District Health Service
DNTPSC	National Directorate of Land and Property
EC	European Commission
EDTL	Electricidade de Timor-Leste
FLD	Lusitania Foundation for University and Entrepreneurial
INGO	International Non-Governmental Organisation
ILO	International Labour Organisation
INR	Ita Nia Rai
INTERFET	International Forces for East Timor
MAFF	Ministry Agriculture, Forestry and Fisheries
MCIA	Ministry of Commerce, Industry and Environment
OCAP	Oecusse Community Activation Project
PDD	District Development Program
PDID	Integrated District Development Program
PDL	Local Development Program
PEDN	National Strategic Development Plan
PNDS	National Suco Development Program
PWC	District Working Committee
SEP	Secretariat of State for Fisheries
SEED	Social Enterprise and Economic Development Fund
SEPI	Secretariat of State for the Promotion of Equality
SEPFOPE	Secretariat of State for Vocational Training Policy and Employment
SISCA	Integrated Community Health Services
TASK	Technical Advisory Services and Knowledge Facility
UNDP	United Nations Development Programme
UNTAET	United National Transitional Administration for East Timor
ZEESM	Special Zones of Social Market Economy

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## ACKNOWLEDGEMENTS

On behalf of the Technical Team that has worked on this Situation Analysis, I would like to express my gratitude to Dr. Mari Alkatiri for his strong leadership and strategic advice throughout the process. I would also like to express my gratitude to His Excellency Xanana Gusmao, Prime Minister of the Democratic Republic of Timor-Leste for his unstinting support and guidance. My sincere thanks to the Honourable Ministers of various line ministries and in particular to Mr. Agio Periera, Minister State and Presidency of the Council of Ministers, whose valuable support is deeply appreciated. The interest demonstrated by and the expert opinions of the officials of various line Ministries, and particularly District Offices and Departments in Oecusse, helped the team members gain a better understanding of issues and allowed us to collect and review a large amount of information and data. Big heartfelt thanks to the local authorities in Oecusse who gave their valuable time to share their knowledge and information with the sector teams. The logistic, administrative and coordination support provided by the Oecusse district administration was very generous and allowed us to manage our time efficiently.

Special thanks are due to Mr. Knut Ostby, Resident Coordinator of the United Nations and Ms. Noura Hamladji, Country Director UNDP, whose close and purposeful engagement in this exercise has been both timely and helpful. Also, we are indebted to Farrukh Moriani, our Policy Advisor mobilised by UNDP, for his support and effort in synthesising the findings and putting together a strategic framework for next steps, in a short space of time.

Last but not least, I would like to offer our immense gratitude to the people of Oecusse, civil society organizations, youth, businessmen, farmers, women and elderly citizens of Oecusse, whose ideas, views and aspirations added great value to our work.

**Arsenio Bano**  
**Project Manager ZEESM and Technical Team Coordinator**

## EXECUTIVE SUMMARY

The District of Oecusse, is an enclave of the Democratic Republic of Timor-Leste and was the landing place of the Portuguese almost 500 years ago. With an area of 814 km<sup>2</sup>, it is divided into four Sub-Districts (Pante Macassar; Oesilo; Nitibe; and Passabe) and 18 villages, with a total population of 65,524. However, current estimates place the population at 70,350 and projections indicate that by 2025, the population will likely double. Subsistence farming, small-scale fishing and cattle trade characterise the Oecusse economy and labor is predominantly occupied in growing food crops, mainly for self-consumption. Despite the reliance on agriculture, Oecusse suffers from high levels of food insecurity while the Living Standards Survey of 2007 placed it at the bottom in terms of access to sanitation and among the lowest ranked districts in terms of access to electricity and drinking water. Owing to its geographical, historical and socio-economic conditions, the Constitution of Timor-Leste accords special status to Oecusse, stating that it shall be '*governed by a special administrative policy and economic regime*' (Article 71, Clause 2).

On 16<sup>th</sup> June 2013, a resolution was passed by the Government of the Republic of Timor-Leste through the Council of Ministers that Dr. Mari Alkatiri, the first elected Prime Minister of Timor-Leste, would lead the planning and investment program of the Special Zones of Social Markets Economy (ZEESM) in Timor-Leste, to be initiated first in Oecusse. Consequent to the resolution, work was initiated to develop a Master Plan for ZEESM in Oecusse, with the assistance of the Lusitania Foundation for University and Entrepreneurial Development (FLD), a Portuguese non-profit organisation. Promulgation of a Decree Law to provide legal cover for the establishment of a Special Economic Zone is on the anvil, while a draft law is under consideration in Parliament for according Oecusse a special administrative and economic governance regime in accordance with Constitutional provisions in this respect.

The Oecusse ZEESM initiative is embedded in the Timor-Leste Strategic Development Plan 2011-2030 and the Program of the Fifth Constitutional Government 2012-2017, both of which underline the importance of special economic zones as a policy instrument to spur sustainable economic growth, create jobs and enable social development. The vision of the Oecusse ZEESM however, represents a departure from the usual special economic zone models, in that it proposes an integrated approach to sustainable, social and economic development.

As per the Master Plan for the Oecusse ZEESM, the designated area for the special economic zone will cover 107 hectares in the village of Costa in Sub-district Pante Macassar. This designated zone would require an estimated US\$ 4.11 billion of investment over a 20 year period, of which 67% or approximately US\$ 2.75 billion will be private sector investment and the remaining 33% or US\$ 1.36 billion will be contributed by the public sector.

In order to gain a deeper understanding of the key issues facing the establishment of ZEESM, this situation analysis was undertaken by a 15-member team of experts. The analysis sought to (i) understand and analyse facts and conditions on the ground in key economic and social sectors relevant to the establishment and sustainability of ZEESM; (ii) review the impact of various initiatives, programs and projects; (iii) identify developmental challenges in Oecusse District and in particular, to give voice to community issues, concerns and aspirations; and (iv) propose a strategic framework for next steps. The analysis was structured around five sectors: land and property; institutions; economic development; social capital; and infrastructure. A mix of primary and secondary sources was used to gather and analyse information and extensive consultations were held with communities, representative groups and public servants at central and local levels.

## Key Findings

The key findings that emerge from the situation analysis are:

Sector	Key Findings
<b>Land and Property</b>	1. Ownership/Possession of land in ZEESM area is varied and State land is negligible
	2. Land parcels in Pante Macassar are largely undisputed
	3. Most land claims are settled
	4. Communities are willing to allow use of their lands but have clear and specific expectations from Government
	5. Property valuation, leasing process do not appear to be rule-based and transparent
<b>Infrastructure</b>	1. The condition of roads is generally poor but plans are underway to improve certain segments
	2. Bridges are in a dilapidated condition
	3. Water Supply and Sanitation services and regulation need urgent attention
	4. Energy needs are largely unmet and supply is erratic
	5. The air and maritime port need complete overhaul
	6. Several telecom companies have established their presence
	7. Irrigation system suffers from underinvestment
	8. Natural resources for construction purposes are in adequate supply
<b>Economic Development</b>	1. Food inflation is hurting the poor
	2. Banking services exist but cater to a small segment of population
	3. District Revenues are low and have a narrow base
	4. National development programs are targeting infrastructure development but implementation is slow
	5. Access to capital and poor human resources are stalling growth of small scale commerce and industry
	6. Micro-enterprises are growing
	7. The Cooperatives Sector is small but facilitates entrepreneurs
	8. Agriculture needs immediate, substantial Government support
	9. Livestock has not received due attention and thus has witnessed a progressive decline
	10. Illegal cattle trade abounds
	11. Livestock needs better support systems and market-orientation
	12. Forest coverage is declining alarmingly
	13. Food industry has considerable potential
	14. Fisheries remain an underdeveloped resource
	15. Oecusse could be the next big tourism destination but it needs heavy upfront investments
<b>Social Capital</b>	1. Health services are minimal and of low quality
	2. Health problems are acute for children and women and linked to social and customary practices
	3. Education sector is characterised by poor quality of learning and infrastructure
	4. Unemployment is very high
	5. Vocational training facilities are scarce
	6. Environmental risks are not receiving due attention and thus pose several economic risks
	7. Social inclusion is promoted through various mechanisms, but gender inclusiveness remains a challenge
<b>Institutions</b>	1. Weaknesses in institutional capacity are potential risks for ZEESM
	2. Rule of Law, transparency and accountability not well established
	3. Intra-governmental coordination is a vital aspect of good governance, but not always evident
	4. Public institutions in Oecusse suffer from common problems, such as under staffing, poor logistic arrangements, inadequate capacity

## Recommendations

Based on the findings of the situation analysis, two sets of recommendations have been framed: those which are of a strategic nature relating to the development of policy, institutional, legal and incentives frameworks for the Oecusse ZEESM and the Oecusse Regional Administration which would be established under a special law; and those which aim to strengthen public services, improve governance and enhance investments in social capital. The latter are presented for consideration of the line ministries for the immediate short term and will form part of the agenda for which the Oecusse Regional Administration will assume responsibility upon being established.

For the strategic recommendations, we adopt a **5R Framework** covering **Roles-Rules-Resources-Risks-Results**.

THE 5R STRATEGIC FRAMEWORK: ROLES-RULES-RESOURCES-RISKS-RESULTS RECOMMENDATIONS FOR THE OECUSSE ZEESM	
<b>ROLES</b>	
Achieve clarity on the nature and extent of autonomy proposed for Oecusse to ensure that the governance models of the regional administration and ZEESM are in sync. As part of this, develop policy options for decentralised governance within Oecusse	
Develop the Oecusse ZEESM governance model to identify institutional arrangements for development, management, financing and regulation of the zone	
Develop a proposal to Establish a Citizens' Advisory & Information Centre to serve as a means of providing information, advice and guidance to citizens on a range of issues	
<b>RULES</b>	
Develop a Special Economic Zone Policy for Oecusse to identify principles, vision, approaches and goals	
Develop an incentives framework after a comparator analysis	
Develop a Land Policy and a Land Acquisition Law for Oecusse to provide for land registration, titles, valuation and dispute resolution	
Carry out a comprehensive review of the business environment to identify major institutional, legal, fiscal and economic barriers to investment, trade and growth	
Develop a policy note on <i>Shared Value in Oecusse ZEESM</i> to lay down a framework for corporate responsibility; propose mechanisms for turning citizens into shareholders; and identify how environmental benefits could accrue to the public	
Develop social safeguards standards and an environmental protection policy to ensure infrastructure development does not come at the cost of loss of biodiversity, environmental degradation and rights of citizens	
<b>RESOURCES</b>	
Develop a strategy for creating a sustainable funding model for the Oecusse ZEESM	
Develop a proposal for establishing an Oecusse Talent Management Agency to build skills, provide training and serve as a job centre and placement agency and	
Develop a proposal for establishing a <i>Social Development Fund</i> for investments in health, education and social protection; an <i>Innovation Fund</i> to support innovations in policy and delivery; a <i>Social Enterprise and Economic Development (SEED) Fund</i> to act as a Venture Capital vehicle; and a <i>Change Management Fund</i> that includes a Technical Advisory Services and Knowledge (TASK) Facility allowing for responsiveness to immediate implementation, technical evaluation and procurement, environment and social safeguard issues.	
<b>RISKS</b>	
Carry out regular risk analysis and review effectiveness of mitigation strategies	
<b>RESULTS</b>	
Develop a strong business case for the Oecusse ZEESM setting clear goals, benchmarks and oversight mechanisms	
Develop a marketing strategy based on the business case	
Develop a communication and advocacy strategy to enable continuous engagement with various stakeholders, presenting coherent, targeted messages to different audiences and build confidence and trust through openness and communication	
Create an inter-Ministerial and stakeholder coordination group—the Change Ambassadors that will serve to develop a shared understanding of key issues, risks and opportunities and allow for joint action	



## Phasing

There are five clusters of distinct, yet inter-related activities for which a phased action plan is required:

Cluster	Nature	Number of Phases	Period	
Cluster 1	Infrastructure Development under the Master Plan for the Oecusse ZEESM	3	Phase I	2014 to 2019
			Phase II	2020 to 2021
			Phase III	2022-2025
Cluster 2	Institutional, Policy, Legal, Fiscal and Social Development Frameworks under the Oecusse Regional Administration	3	Phase I	2014 to 2015
			Phase II	2016 to 2017
			Phase III	2018 to 2019
Cluster 3	Development and Operationalisation of the Oecusse ZEESM governance model	3	Phase I	2014 to 2015
			Phase II	2016 to 2017
			Phase III	2018 to 2019
Cluster 4	Short to Medium Term Investments in Social Capital and Governance	3	Phase I	2014 to 2015
			Phase II	2016 to 2017
			Phase III	2018 to 2019
Cluster 5	The 500 Year Celebrations and Related Investments in Infrastructure and Services	1	Phase I	2014 to 2015

The phased action plan presented in this report attempts to bring all these clusters together. The approach followed is that from 2014-2019, the focus is on institutional aspects, both for the regional administration and for the economic and social market zone. Parallel to this institution building, immediate gaps in social sectors would be addressed, and the process of implementation of the Master Plan for the Oecusse ZEESM initiated. The aim would be that by the end of 2019, most of the key institutional, policy, legal, economic and fiscal issues would be addressed, paving the way for the completion of the physical infrastructure development of the Zone as well as its promotion and operationalisation.

The phased action plan indicates difficulty levels associated with each action, as well as their likely resource impact.

Activities under Cluster 4 are ones whose responsibility will be gradually assumed by the Oecusse Regional Administration, once it is established, while activities under Cluster 5 are not strategically linked to the other clusters, but their outputs (highway, airstrip, hospital, hotel etc.) would serve as useful initial investments for the broader Master Plan implementation.



## Risks

The situation analysis identifies a large number of risks, ranging from the political, to the economic, institutional, social and fiscal. Some of the key risks are highlighted below, but a detailed risk analysis, is included in the Phased Action Plan in this report.

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

## I. INTRODUCTION

On 16<sup>th</sup> June 2013, a resolution was passed by the Government of the Republic of Timor-Leste through the Council of Ministers of the 5<sup>th</sup> Constitutional Government, that Dr. Mari Alkatiri, ex- Prime Minister of the First Constitutional Government of Timor-Leste, would lead the planning and investment program of the Special Zones of Social Markets Economy (ZEESM) in Timor-Leste, to be initiated first in the enclave of Oecusse.

This resolution reinforced the process and work in the preparation and implementation of the Government's plan and program to establish special zones of social market economies through coordination between the Office of Prime Minister and Office of the Council of Ministers and ZEESM. Promulgation of a Decree Law to provide legal cover for the establishment of a Special Economic Zone is on the anvil, while a draft law is under consideration in Parliament for according Oecusse a special administrative and economic governance regime in accordance with Constitutional provisions in this respect.

Consequent to the resolution, work was initiated to develop a Master Plan for ZEESM in Oecusse, with the assistance of the Lusitania Foundation for University and Entrepreneurial Development (FLD), a Portuguese non-profit organisation that specialises in developing economic zones. Dr. Mari Alkatiri, who is also on the Board of the FLD, led the process of senior level advocacy and shared plans for ZEESM through a number of presentations to the President, Prime Minister and members of Government, Party Bench leaders of National Parliament, donors and development partners in Timor-Leste and to the private sector. He also met with and discussed the concept and the opportunities with potential investment partners in Portugal, Macau, Hong Kong, Malaysia and Indonesia. The response and feedback from this interaction was very positive and enthusiasm and interest was expressed by all stakeholders.

Since the basic objective of the initiative is to transform the lives of the people of Oecusse and with a view to making communities partners in the process of development of ZEESM, a number of dialogues have been held with communities. From 21 to 26 May 2013, Dr. Mari Alkatiri made several presentations to different segments of the community and held an open dialogue with more than 1000 people from 18 villages, including community leaders and Oecusse district authorities, about the plans for establishing the ZEESM. Parliament party bench leaders and some members of Government also travelled from Dili to Oecusse to attend these presentations. A second round of consultations and dialogue with communities was held from 6-9 February 2014, in which several Ministers from the central line Ministries, Secretaries of State, Members of Parliament and development partners participated.

As per the Master Plan for ZEESM in Oecusse, the designated area for the special economic zone will cover 107 hectares in the village of Costa, Sub-district Pante Macassar. This designated zone is expected to require approximately US\$ 4.11 billion, of investment over a 20 year period, of which 67% or approximately US\$ 2.75 billion will be private sector investment and the remaining 33% or US\$ 1.36 billion will be public sector investment.

In order to gain a deeper understanding of the key issues facing the establishment of ZEESM, trigger the process of developing the requisite legal, institutional, economic and financial frameworks and most importantly, to articulate the views, concerns and aspirations of the people of Oecusse, a situation analysis was undertaken, whose findings and recommendations are documented in this report. It is intended to facilitate the elaboration and implementation of the ZEESM master plan and guide future feasibility and technical studies.

### ***a. Objectives and Scope of the Situation Analysis***

The objectives of the situation analysis are:

- i. To understand and analyse facts and conditions on the ground in key economic and social sectors that are relevant to the establishment and sustainability of ZEESM;
- ii. Review the impact of various initiatives, programs and projects in key sectors;
- iii. Identify challenges and progress of development in all sectors in Oecusse District and in particular, to give voice to community issues, concerns and aspirations; and
- iv. Propose a strategic framework for next steps.

The analysis aimed to understand and delineate political directions and national plans for development in Oecusse District and thus an effort was made to contextualise it within the Vision 2030 document, the National Strategic Development Plan (PEDN), Regional 2030 Strategic Development Plan for Oecusse region and framework for the ZEESM Master Plan for Oecusse. Furthermore, the analysis benefited from a large number of reports developed by Government, private sector, NGOs, UN agencies, other development partners and media.

The situation analysis is structured around five sectors:

- Land and Property to identify existing and potential problems including border disputes and issues linked to the geographic area designated for the establishment of the ZEESM in Costa and Nipani sucos, involving 107 to 300 hectares in Pante Macassar sub-district, Oecusse.
- Economic Development to identify economic development potential and economic conditions in Oecusse including with respect to rural development, tourism, and private sectors as well as problems in principal areas of agriculture, forestry, fisheries and the environment. The analysis also examines issues relating to cooperatives, micro-credit, and the service sector.
- Infrastructure to analyse situation on infrastructure, roads, bridges, telecommunication ports, water, electricity, sanitation, ports and airport. The technical team focused priorities in 107ha of ZEESM in Costa suco, Pante Macassar sub-District, Oecusse.
- Social Capital to identify problems in areas of health, education, vocational training, employment, gender (participation of women), social inclusion, environment, culture and heritage of the entire district of Oecusse, not just only in the designated zone of Costa suco but also in other sub-districts of Passabe, Oesilo and Nitibe.
- Institutional Framework to collect data and analyse information on institutional issues, including border services, justice, good governance, and public sector.

### ***b. Research Methodology***

- I. Primary Sources: Collection of data and information from Government, line ministries in Dili, civil society and authorities in Oecusse. A list of key informants is at Appendix I.
- II. Secondary Sources: Collection of data and information from reports from international organisations, including NGOs that are working in Oecusse.
- III. Focus Group Discussions (FGD): Collection of information through 25 FGDs organized in Oecusse and Dili, in which 570 people participated (126 females and 444 males).

- IV. **Field Visits:** The ZEESM technical team also made field visits to 16 out of 18 villages in Oecusse. The visits involved engagement with multiple stakeholders, including farmers' groups; cooperatives; media; and business community.
- V. **Interviews:** with local authorities of Oecusse District as well as with staff in schools, health units in Oecusse.

### ***c. Limitations and Assumptions***

Given the depth and breadth of sectors and the many issues that confront them in Oecusse, the work was challenging to begin with. Despite a tight timeline for completion of work, every effort was made to ensure that the analysis neither suffered in terms of quality, nor from lack of engagement with relevant stakeholders. However, as is likely to happen in any endeavour of such scale, some gaps exist in our coverage of sectors, as well as in the depth of analysis. We have indicated a number of areas where further, more specific work may be required, as part of our recommendations. Moreover, we would like to mention that this analysis is based on the assumptions that a special governance arrangement under a law of the Parliament would be provided for Oecusse, and that the current Master Plan prepared for ZEESM (referenced in this report) is the final one. In case there are changes in either case, some of the recommendations would need to be amended accordingly.

### ***d. Members of the Technical Team for the Situation Analysis***

This situation analysis was carried out under the leadership of Arsenio Bano—former Minister of Labour and Community Reinsertion and ex-Member of Parliament—who served as the Technical Team Coordinator. The team itself comprised a mixed of experienced civil servants seconded to the Office of the ex-Prime Minister Dr. Mari Alkatiri, and local experts. Farrukh Moriani, whose services were mobilised by the UNDP as a Policy Advisor, synthesised the results and framed the strategic recommendations and action plan in consultation with the Technical Team. Work in each of the five sectors included in this analysis was led by Team Leaders as indicated below:

- Land and Property: Pedro Sousa, Ex National Director, Directorate of Land and Property.
- Social Capital: Regio Servente Cruz, Ex-Program Manager UNOPS.
- Infrastructure: Bernardo da Rosa.
- Economic Development: Deolindo da Silva -Level VI Officer of the Ministry of Agriculture and Forestry, Dili.
- Institutions: Angelo de Almeida, Technical Superior Level V, Economic Policy, Macro Economy, Ministry of Finance, Dili.

Other team members included:

1. Mario Ribeiro Nunes -Level VI Officer, State Secretariat of Forestry
2. Angelo do Rosario -Level III Officer, Food Production Division and Horticulture Services, Oecusse District
3. Angelo de Almeida- Martinho Faria Level V Officer, Operational Department, National Directorate of Tax, Petroleum and Minerals, Ministry of Finance, Dili.
4. Fernando Batista Anuno - UNTL, Ministry of Education, Dili
5. Alvaro Godinho - UNTL, Level 5 Ministry of Health, Dili.
6. Napoleão da Cunha - Level 4 Officer, Ministry of Agriculture and Forestry, Dili.
7. Jose Antonio Afoan - Technical Officer, UNDP Oecusse
8. Joao Agostinho Pereira da Costa Alberto - Veterinarian, Dili
9. Francisco Lelan - Ex Member of Parliament, President of the Association of Atoni Oecusse Ambeno (AAOA), Dili
10. Yasinta Luijina Conceição das Regras - Ex Director Rede-Feto.

### e. About Oecusse

The District of Oecusse is an enclave of the Democratic Republic of Timor-Leste and was the landing place of the Portuguese almost 500 years ago. The district has an area of 814 km<sup>2</sup> that is divided into four Sub-Districts (Pante Macassar; Oesilo; Nitibe; Passabe) and 18 villages, with a total population of 65,524<sup>1</sup>. However, current estimates place the population at 70,350 (Table 1). Projections made at the time of preparing the Master Plan for the Oecusse ZEESM indicate that during the implementation period of the Master Plan (2013-2025), the population will likely double .

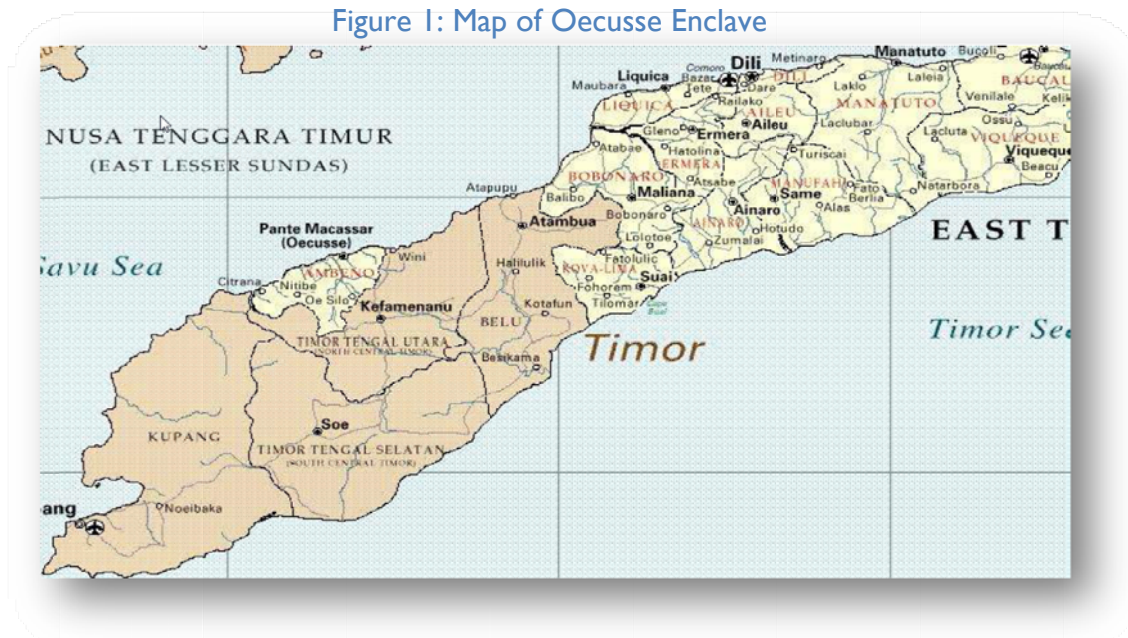
Table 1: Estimate of Oecusse Population in 2013

Sub Districts	Area km <sup>2</sup>	Total Villages	Total Hamlets	Total Households	Total Population
PanteMacassar	343.9	8	27	7,849	38,707
Oesilo	99.12	3	13	2,583	10,835
Nitibe	311.52	5	18	2,644	12,489
Passabe	62.12	2	4	1,709	8,320
Total	815	18	62	14,785	70,350

Source: Oecusse Regional Hospital, Ministry of Health, 2013

Geographically, Oecusse is bounded by the ocean to the North and shares its borders with Indonesia: to the East, with the sub-District of Wini; the West with Oepicoli, Sub-District Amfo'a; to the North, District Kupang, to the South with Napan village, Sub-District Meomafó Leste, District Kefamenanu-NTT (Figure 1).

Figure 1: Map of Oecusse Enclave



<sup>1</sup>Census Timor-Leste, 2010

Subsistence farming, small-scale fishing and cattle trade characterise the Oecusse economy and labor is predominantly occupied in growing food crops, mainly for self-consumption<sup>2</sup>. Despite the reliance on agriculture, Oecusse suffers from high levels of food insecurity while the Living Standards Survey of 2007 placed it at the bottom in terms of access to sanitation and among the lowest ranked districts in terms of access to electricity and drinking water<sup>3</sup>.

Owing to its geographical, historical and socio-economic conditions, the Constitution of Timor-Leste accords special status to Oecusse, stating that:

*“Oecusse Ambeno shall be governed by a special administrative policy and economic regime”<sup>4</sup>.*

This special recognition provides the political and legal basis on which the concept of ZEESM has been developed.

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<sup>2</sup> Oecusse Ambeno Community Activation Program, Program Document, UNDP

<sup>3</sup> Community Mobilisation for Poverty Alleviation and Social Inclusion in Service Delivery, UN, 2010

<sup>4</sup> Constitution of the Democratic Republic of East Timor, Article 71, Clause 2

## II. SPECIAL ECONOMIC SOCIAL MARKET ZONE (ZEESM): THE VISION

The Oecusse ZEESM initiative is embedded in both the Timor-Leste Strategic Development Plan 2011-2030 and the Program of the Fifth Constitutional Government 2012-2017. Both of these strategic documents underline the importance of special economic zones as a policy instrument to spur sustainable economic growth, create jobs and to enable social development. The vision of the Oecusse ZEESM however, represents a departure from the usual models, in that it proposes an integrated approach to sustainable, social and economic development.

The model—developed under the guidance of Dr. Mari Alkatiri and in collaboration with the Lusitania Foundation for University and Entrepreneurial Development (FLD)—focuses on social components in the generation of sustained economic growth and aims to simultaneously invest and develop the education, health and economic sectors<sup>5</sup>. It offers a more inclusive model for growth, one that is people-centred and which calls for human and social development to be at the core of all plans and processes. Furthermore, in line with its ambitions to become a regional hub, the Oecusse ZEESM aims to become a catalyst for regional development, trade and investment, offering a platform for financial transactions, services and trade in goods and services.

Some key features of ZEESM's approach are:

- ZEESM will be capable of attracting and holding investors, service providers, and all kind of companies, from all around the globe. All areas surrounding the zone will be developed based on a community and rural development policy.
- ZEESM will be strategically located nearby an airport and a seaport, with easy accessibility to health, education and energy infrastructures.
- The management and the monitoring of ZEESM's conception and construction will be entrusted to a managing company.
- All the companies accepted in ZEESM will have to embrace a social responsibility regime.
- Sustainability will be incorporated in the project in every possible and reasonable aspect: construction/ architecture, means of communication, energy, water supply, etc. and also in community and rural development.

The Oecusse ZEESM will be implemented in 3 phases, over a 20 year period beginning in 2014. An indicative distribution of planned investments and activities is given below. Although there would clearly be a need to establish world class infrastructure and ensure provision of international standard services, ZEESM would incorporate community needs at every stage. As Dr. Alkatiri has so often stated, the fundamental motivation for ZEESM is that the people of Oecusse become both *partners and beneficiaries* in terms of financial, economic and social returns from the investments made under ZEESM.

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<sup>5</sup> For more details visit [www.zeesm.com](http://www.zeesm.com)



**Public and Private Investment First Phase 2014-2018**

Investment2013-2018		Public	Private
Total investment USD 2,443,050,000		USD 1,276,370,000	USD 1,421,160,000
Types of Investment	<ul style="list-style-type: none"><li>• Office of ZEESM</li><li>• Airport</li><li>• Commercial Port</li><li>• Facilities for PNTL</li><li>• Facilities for Fire Brigade</li><li>• Power stations</li><li>• Hydroelectricity</li><li>• Sanitation- I</li><li>• Housing Relocation</li><li>• Production, Transmission and distribution Energy-I</li><li>• Distribution of Gas</li><li>• Roads- I</li><li>• Telecommunication- I</li></ul>	<ul style="list-style-type: none"><li>• Housing-I</li><li>• Rehabilitation of Oecusse Regional Hospital</li><li>• Business Hotels</li><li>• Offices</li><li>• Industrial Pole</li><li>• Post Office</li><li>• Logistics Area</li><li>• Training Centre</li><li>• Sports Area 1</li></ul>	

**Public and Private Investment Second Phase 2019-2021**

Investment2019-2021		Public	Private
Total investment USD 966,392,000		USD 154,298,000	USD 812,094,000
Types of Investment	<ul style="list-style-type: none"><li>• Fishing Port</li><li>• Wind Farm</li><li>• Photovoltaic</li><li>• Biomass Plant</li><li>• Sanitation- II</li><li>• Production, Transmission and distribution Energy- II</li><li>• Distribution Gas- II</li><li>• Roads- II</li><li>• Telecommunication II</li></ul>	<ul style="list-style-type: none"><li>• Housing-II</li><li>• Schools</li><li>• Apartments/ hotels</li><li>• Offices</li><li>• Commercial Areas/markets</li><li>• Petrol Stations</li></ul>	

**Public and Private Investment Third Phase 2022-2025**

Public and Private Investment Third Phase 2022-2025		
Investment2022-2025	Public	Private
Total investment USD 710,988,000	USD 101,918,000	USD 609,071,000
Types of Investment	<ul style="list-style-type: none"><li>• Marina</li><li>• Sanitation-III</li><li>• Production, transmission and distribution- III</li><li>• Roads- III</li><li>• Telecommunications - III</li></ul>	<ul style="list-style-type: none"><li>• Housing-III</li><li>• Slaughterhouse</li><li>• Supply Market</li><li>• Cultural Center</li><li>• Spiritual Centre</li><li>• Universities</li><li>• Sports Areas -II</li><li>• Hospital</li><li>• Hotel Resort</li></ul>

### III. KEY FINDINGS

This section presents the key findings in each of the sectors included in the Situation Analysis. The findings are not in order of priority and are intended to provide an inventory of the main challenges faced in relation to the development of the ZEESM.

#### a. Land and Property

Land is often the only asset of the poor. Oecusse is no different in this respect. However, the relationship between communities and land needs to be viewed not just from an economic perspective, but from a mix of cultural, historical and religious ones. Issues related to land administration including land titles, transfers and dispute settlement, thus assume great significance. The Land and Property Team have endeavoured to identify the various challenges on this front.

#### 2. Ownership/Possession of land in ZEESM area is varied and State land is negligible

Land in the designated area for ZEESM in Costa suco consists of 4,199 parcels as registered under the Ita Nia Rai (INR) project<sup>6</sup>. Almost all the land parcels are private land, with State land constituting only .36% of the total number of land parcels<sup>7</sup> (Table 2).

Table 2: Distribution of Ownership/Possession of Land Parcels in Designated ZEESM Area				
#	OWNER/CLAIMANT	TOTAL	%	OBSERVATION
1	Private Domain - Single Male	2233	49.77%	
2	Private Domain – Single Female	667	14.87%	
3	Private Domain – Couples	81	1.81%	
4	Private Collective Domain	379	8.45%	Co-ownership
5	Private Mission (Church) Domain	18	0.40%	
6	Private State Domain	1080	24.07%	
7	Common Domain	13	0.29%	Community Property
8	Public Domain	16	0.36%	
	Total Claimants	4487	100%	
	Parcels	4199		

Source: DNTPSC Oecusse 2013

#### 2. Land parcels in Pante Macassar are largely undisputed

Land in Pante Macassar sub-district is largely undisputed in terms of parcels of land, with just over 6% of parcels under dispute (Table 3). It is important to point out that while the number of *parcels* under dispute is small, the total *area* under dispute in the 260 parcels is unknown. It would thus be incorrect to surmise from this finding that a small *area* is under dispute, as this can only be determined by surveying land in each of the parcels.

<sup>6</sup> A \$10 million USAID funded project aimed at improving land administration in Timor-Leste

<sup>7</sup> This does not include roads, drainage, etc

TABLE 3: Land Under Dispute and Not Under dispute in Pante Macassar Sub-district							
PARCELS IN EACH SUCO AND ALDEIA							
#	Sub district	Suco	Aldeia	Parcels			
				Disputes	No Dispute	Total	
1	Pante Macassar	Costa	Mahata	11	88	99	
2	Pante Macassar	Costa	Oesono	57	360	417	
3	Pante Macassar	Costa	Padimau	174	2838	3012	
4	Pante Macassar	Lalisuc	Padiae	4	123	127	
5	Pante Macassar	Lalisuc	Manuimpena	0	1	1	
6	Pante Macassar	Lifau	Nefobai	0	27	27	
7	Pante Macassar	Lifau	Oemolo	0	207	207	
8	Pante Macassar	Lifau	Tulaica	14	295	309	
Total				260	3939	4199	
Source: DNTPSC Oecusse, 2013							

### 3. Most land claims are settled

Although a total of 4,487 claims were filed for the ZEESM designated area, most of these were settled and now only 437 claims are still under dispute, out of which 401 have been filed by the Government and 36 are from the community. The nature of these claims varies, but can be categorised as shown below:

- *Abandoned land*: cases where the family is living overseas. The data is incomplete for this category
- *Border Disputes*: The Naktuka segment has not yet been resolved between Government of Timor-Leste and Indonesia. Once resolved, it will impact the status of 217 people, 52 families as well as achieve clarity on ownership of rice paddies. The total area for which this issue has an implication is approximately 500ha.
- *Questions around community land*: This includes sacred and traditional land, sacred rocks and mountains.
- *Ita Nia Rai project incomplete for CostaSuco* (Designated Zone for ZEESM): inadequate information including land titles for community land and others.

### 4. Communities are willing to allow use of their lands but have specific expectations from Government

Through the Focus Group Discussions it transpired that:

- Communities are prepared to give their land for implementation of ZEESM through rental or sale agreements.
- Communities are also willing to donate some of their land for public utilities.
- 300 families occupy state land and property in the Palaban Airport Zone. They recommended that the State should prepare a relocation package that includes housing, land and financial support.
- Land titles are not yet available even though claimants have already been registered under the Ita Nia Rai project. The project also distributed 261

'registration certificates', whose legal validity is questionable and which are likely to be used as holders as proxy land titles.

- Legislation for use of community property for ZEESM, including acquisition by private sector and identification of mechanisms (shareholding, leasing etc.) to protect the interests of communities.
- Preservation and protection of sacred land and sacred waters in the designated area, so that the community can continue their traditional rituals and customs.
- Providing communities with facilities such as schools, drinking water.

#### **5. Property valuation, leasing process do not appear to be rule-based and transparent**

The Directorate of Land and Property Oecusse district (DNTPSC) has effected 783 rental agreements (leases) which amount to a total of \$3,000 per annum, while the cumulative rent collected since inception of the rent collection process is \$15,000. Although the DNTPSC is collecting rent, the rental mechanism and valuation process is not well documented. In the absence of a transparent, rules-based system of assessing and collecting rent, opportunities for corrupt practices, resentment among community members and loss of revenue to the exchequer will likely result.

## b. Infrastructure

The Infrastructure situation analysis was focused on the ZEESM designated area of 107ha in Costa Suco of sub-district of Pante Macassar. However, the Infrastructure Team also made an effort to identify immediate problems that may surface when the first phase of implementation of ZEESM involving zone 1, zone 1.1 (Port) and zone 1.3 (Airport), is undertaken. The key findings are:

### 1. The condition of roads is generally poor but plans are underway to improve certain segments

There are several categories of roads in Oecusse (Box1) and their total length of all categories of roads in Oecusse is 350km. The Infrastructure Team identified the following situation as regards their condition, plans and existing and potential problems they pose for ZEESM:

#### BOX 1: CATEGORY AND FUNDING OF ROADS IN OECUSSE

##### Categories

- a. National Roads: Wide roads are considered to be national roads as these roads link center of Oecusse, Pante Macassar with the border.
- b. District Roads: Roads that were built in center of Oecusse and connects sub-Districts in Oecusse.
- c. Rural roads: Which connect all sucos and aldeias.

##### Funding Sources

- a. Infrastructure Fund under the General State Budget (OGE), Timor-Leste
- b. Funds that are used by Public Works are from Capital Development Funds, PDID (Program for Integrated District Development)
- c. Development partner or International Non-Government Organisation (INGO) funding.

- **Road from border in Sakato to Lifau and Noefefan total length 21.00 km, width varies from 4m to 6m.**  
Road from Sakato to Noefefan is sealed with macadam or sealed with dirt; approximately 25% is sealed with asphalt but not a hot mix.
- **Blind/dead Corners Pose Risks for ZEESM Phase 1**  
These corners will hinder construction work in ZEESM, since transporting construction material using heavy equipment will prove risky.
- **Several built up structures are encroaching on road areas or right of way or are in dangerous proximity to roads**  
Some public and private buildings and walls on the road between Sakato to Noefefan-Lifau are between 15 to 25 meters from the center line of the road. This will make movement of heavy vehicles difficult and pose risks of them crashing into built-up structures. These structures include:
  - ii. Private houses: 61 on road between Sakato and Noefefan-Lifau
  - iii. RSS houses- 30 on road to Palaban Airport
  - iv. Public offices/buildings: 4
  - v. Old house/Portuguese houses: 4
  - vi. Garden of Heroes (Ossuary): 1
  - vii. Schools: 2
  - viii. Wall of Transport and Territories office: 1
  - ix. Office of the Prosecutor General: 1
  - x. Office buildings: 1
  - xi. Hotel Lifau: 1, road to Oebau
  - xii. Santo Antonio Santa Rosa Chapel: 1

- **Urban roads are under rehabilitation**

Some 23 km of urban roads are undergoing rehabilitation, using macadam to seal the roads. The Infrastructure Team feels this is unnecessary and use of a hot mix sealing process would suffice.

- **Sub-District roads network is being expanded**

Total length of intra-District roads totals 60 km. Most of them are in a very poor state (Figure 2). Plans are underway to upgrade the roads from Nunheno to Oeltam to category of District roads with length of 23 km, of which 10 km has been completed. In fiscal year 2014, inter sub-district roads from Baqui to Passabe (12km) and from Oesilo to Tumin (8km) are planned to be built.

Figure 2: Condition of Road in Sub-District Citrana connecting Citrana with Indonesia



- **Expansion is underway for the rural road network**

In fiscal year 2014, rural roads will be built from Kusse to Malelat (6 km), Bihala to Kutete (8 km), Oeltam to Foat Kenfua (4 km), Pune to Mahata (8 km), Noetoko to Nefontasa (6 km), from Baqui to Laokfoan (15 km), Mahata to Kusse (9 km). These rural roads will not be sealed with asphalt but will be sealed with *plumb concrete* in *incline and decline areas*.

## 2. Bridges are in a dilapidated condition

Some bridges in Oecusse are either from the Portuguese era, or from the time of the Indonesian rule. There are 2 large bridges, 20 medium bridges and more than 200 small bridges. Some bridges were constructed in the UNTAET period, by the INTERFET, mainly in the form of *Belly Bridge* or provisional bridge for military use during the war, to facilitate movement of equipment. A few of these bridges can withstand weight of up to 20 tonnes.

The Infrastructure Team also found that:



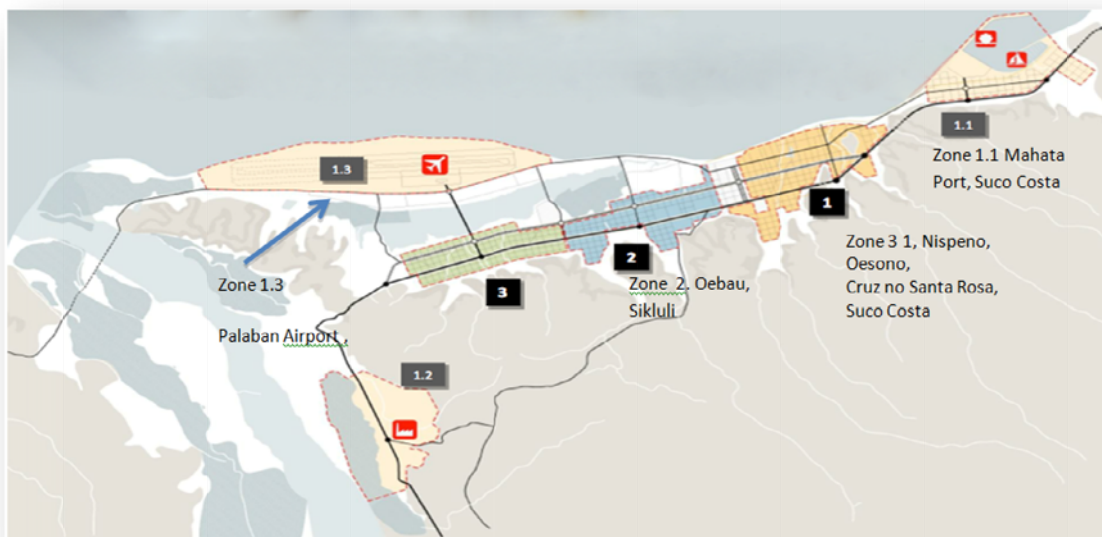
- **Condition of Bridges from Border Sakato to Centre Pante Macassar pose urgent risks for ZEESM Phase 1**

These bridges are in very poor condition (Figure 3) and for implementation of ZEESM Phase 1, especially for Zone 1 (designated economic zone, Costa Suco, 107ha); Zone 1.1 (port) and Zone 1.3 (airport), the condition of these bridges can become an immediate problem when moving heavy equipment from the port to Costa Suco and the airport (Figure 4).

Figure 3: Condition of Bridges in ZEESM Area



Figure 4: ZEESM Master Plan Zones in Oecusse



- **Condition of bridges in other Sub-Districts are equally poor**

The Beton bridge providing access to Citrana Sub-District and connecting Citrana with the Indonesian border is old and in need of rehabilitation. Similarly, the bridge connecting Nipani to border of Oesilo was built during the Indonesian rule and given its importance for the community of Oesilo Sub-District, needs immediate attention.

- **New bridges are planned**

In fiscal year 2014, there are plans to build a 400m bridge over Tono River in Noefefan and a 150m bridge over Noelekat River. This river needs 50 large and medium bridges and 150 small bridges. Public Works are also putting in place FloodControl infrastructure in Tono River, building masonry walls to protect against flood threats.



### 3. Water Supply and Sanitation services and regulation need urgent attention

Water supply and sanitation services in Oecusse suffer from low level capacities of the public servants, lack of equipment and facilities and regulation. While water resources are sufficient for drinking and for domestic needs, the absence of a law to regulate water use and management has badly impacted urban communities. Unregulated underground water pumping has impacted the quality of underground water in the designated ZEESM area, due to infiltration of seawater and can exacerbate landslides or landslips because of depleting aquifer.

#### BOX 2: WATER AND SANITATION PROFILE OF OECUSSE

##### Water Consumption in Oecusse District

- In rural areas: 30-60 liters/day/person; in urban areas: 60-120 liters/day/person
- Available daily drinking water per person 5 liters/day
- Water is sourced from 89 springs, as well as from the river, wells and pumps. Water needs to be boiled before drinking

##### Achievement of the Water and Sanitation Program

1. 1783 households in urban areas now have access to water.
2. 1 Water Pumping System was installed but needs further development and regular maintenance.
3. There is a functional water treatment plant but it needs rehabilitation.
4. A piped water facility covering 24km exists but 60% is not functioning well and needs rehabilitation.
5. 7 water tanks built, but 4 do not function.
6. Established 850 units of taps but none are functioning.
7. 35% of 1783 households have good toilets.
8. 67% of 1739 households in rural areas now have access to clean water.
9. 18.9% of 11739 households in rural areas now have toilets and 7% households have access to hand washing and soap facilities.
10. Established clean water system with total of 74 systems, but 27 need rehabilitation.
11. Established gravitational water system total 68 units from 74 systems.
12. Established 51 water facility management groups, but 25% are not functioning well.
13. Established 6 solar cell-based water supply systems, but one of them is not working well.

##### Plans and Targets of the Water & Sanitation Program and Strategic District Development Plan (PEDD)

- 80 % of households in Pante Macassar will have access to clean water by end of 2015
- Construct a water pumping station in Tono bor
- Construct 4 more public toilet facilities
- 85% households in remote areas will have access to clean water by 2017
- 60% households in rural areas will have toilets by 2017
- 60% households can understand and have hand washing facilities in each household by 2017
- Construct and activated 19 new water supply systems by end of 2015
- Rehabilitate 12 of 27 systems that are not functioning well
- Establish or reactivate 60% of water facility management groups by 2015
- 90% urban households will have access to clean, safe drinking water
- 5 water sources will all be rehabilitated for supply to Oecusse
- Construct 1 more water pump to attend to the population of Pante Macassar
- Carry out total rehabilitation and further develop water systems in Pante Macassar
- Develop good and functioning infrastructure for water treatment in order to supply clean water to 65% urban households.

### 4. Energy needs are largely unmet and supply is erratic

The energy generation, distribution and regulation is a source of concern, especially given its importance for development of the ZEESM. The energy supply system in Oecusse only operates during the night for 3 to 12 hours only between 6pm to 6am. Electricity is generated through diesel-based generators, and production ceases or is reduced when the ferry service which ships the diesel, halts its services. A new plant with double the original

capacity has been built, but inadequate fuel storage capacity means that the new plant cannot operate at full capacity.

Furthermore, the human resources in the Electricidade de Timor-Leste (EDTL) Oecusse are not yet ready for implementation of ZEESM in the near future and their capacities for monitoring projects outsourced to the Veterans and to private companies are weak. To address the 'hardware' issues the Government has planned several improvements including enhancing the fuel storage capacity and expanding the distribution network (Appendix 3), but the 'software' issues of strengthening legal, regulatory and financial support systems are still left unattended.

## **5: The air and maritime port need complete overhaul**

Both air and maritime ports play an important role in economic development and even more so in the context of an economic zone. The Master Plan for ZEESM indicates the development of a new airport and the upgrading of the sea port to meet international standards of infrastructure and services that allows ZEESM to become a regional hub for trade and investment. The Mahata Port was recently rehabilitated through financial support from the Government of Japan, and was inaugurated by the Prime Minister on 20 September 2013. However, it can only accommodate ships with maximum capacity of 22 tonnes each, and cannot yet accommodate large cargo ships. The total capacity of the port in terms of cargo handling is 2,000 tonnes.

The airport is in fact an abandoned air strip, with no control tower or passenger terminal building or any kind of physical structure. According to information received from Director of Civil Aviation, the plan for 2014 is to carry out rehabilitation of the airport for ZEESM Phase 1, including erecting a wire fence around the whole site, clean up and repair the runway and aviation equipment, install a provisional control tower, and allied facilities.

## **6. Several telecom companies have established their presence**

Oecusse is served by both the existing telecommunications networks, Timor Telecom and Telkomcel. The latter is still not fully operational, but when it is, will cover most of the District.

## **7. Irrigation system suffers from underinvestment**

The potential for expanding the agriculture sector in Oecusse has been undermined by the lack of good management and regular investment in the irrigation system, which covers approximately 140,000 meters and benefits more than 5000 families (Table 4). Many components of the irrigations systems are damaged and do not undergo regular maintenance from the government and the community themselves. While there is sufficient water and fertile land, due to bad management the production of rice and other horticultural products are under threat. In 2014, the government intends to carry out a preliminary study on Tono River for constructing a dam, as well as constructing a weir in Tono River, which will be in the location of the current free intake.

Table 4: Irrigation Coverage in Oecusse District								
Suco	Irrigation System	Area (Ha)	Beneficiary (Families)	Irrigation Canal Measurements				Total(m)
				Primary (m)		Secondary (m)		
				Technical	Traditional	Technical	Traditional	
Malelat	3	182	106	0	400	0	0	1350
Abani	4	25	62	629	614	0	167	2760
Bobmento	4	31	107	0	1795	0	796	2591
Usitas1ae	3	181	150	75u0	3070	0	1900	5720
Bobocase	2	85	176	110	3560	0	350	4020
Costa	7	445	550	5000	8233	138	7133	20504
Lifau	6	305	645	1314	5765	1065	4915	13059
Naimeco	5	112.3	397	40	4087	0	1700	5827
Lalisuk	20	690	1484	6771	14055	823	10764	32413
Cunha	9	245	563	2422	8694	1989	9300	22405
Taiboco	1	100	167	0	1880	0	750	2630
Bene-Ufe	9	1452	517	1450	7751	450	6326	15977
Usitaco		30	50	1413	483	0	904	2800
Suni-Ufe		80	150	850	1300	0	1200	3350
Lela-Ufe		120	265	1090	1701	0	200	3781
Benafi		25	36	0	1364	0	650	2014
Total	79	4008.3	5108	22.719	65.612	4.465	47.055	139.851

## 8. Natural resources for construction purposes are in adequate supply

The Infrastructure Team also looked for information on natural resources such as rocks, identified location and quantity of base material to be used in infrastructure development. The team identified areas in Sonamnasi area and Senap/Maunaben area in Cunha suco, Pante Macassar Sub-District that has quality and quantity of rocks sufficient to address needs of ZEESM in the future. Sand, a key material for construction, is available in Kinloki, 15 km from Pante Macassar and its quality has been certified through laboratory tests. Moreover, a private stone crushing factory is located in Naimeko 15 km from Pante Macassar, which means that in the immediate short term at least, there is a facility to kick start construction work. An Asphalt Mixer Paver is also located in the same area, which would also facilitate construction work.

## **c. Key Findings of the Economic Development Sector**

The key objective of the Oecusse ZEESM is to spur economic growth in Oecusse and for this to materialise, there needs to be a concerted effort to lay the foundations for equitable, sustainable economic growth. The Economic Development Team made an effort to examine the status of the current economy in Oecusse and to identify constraints in various economic sub-sectors.

### **1. Food inflation is hurting the poor**

A considerable number of basic food items such as sugar, rice, flour, oil and noodles are either supplied from Dili, or imported from Indonesia. Due to poor connectivity, the cost of transportation and distribution of goods is high and contributes to high retail prices. The price of goods also increases when transported from Sub-District Pante Macassar to other Sub-Districts in District Oecusse, again owing to high transport costs. In addition to this, the imposition of a 5% import tax on basic necessities is also a determining factor for higher prices of food items.

### **2. Banking services are limited and cater to a small segment of population**

The banking sector in Oecusse is limited to the existence of a branch of the Timor-Leste central bank and two private commercial banks, the Banco Nacional Ultramarino (BNU) and Banco Nacional Comercial de Timor-Leste (BNCTL). The former serves to facilitate finance activities in Oecusse; control circulation of money; manage cash exchange services; and control circulation of counterfeit notes. Plans are underway to add Treasury Payment Order services.

The commercial banks supply credit to local businesses and to an extent, individuals. Lending to businesses starts at US\$ 1000 for regular clients and ranges from US\$80 to US\$500 or higher, depending on income, for newer clients. BNCTL charges 16% annual interest rates for credit to women's groups, and 18% to businessmen and public servants. The return on savings is 0.5%, which translates into a large spread<sup>8</sup> for the banks. Data from BNCTL shows that 1,191 clients have applied for credit, while 3,261 have savings accounts.

### **3. District Revenues are low and have a very narrow base**

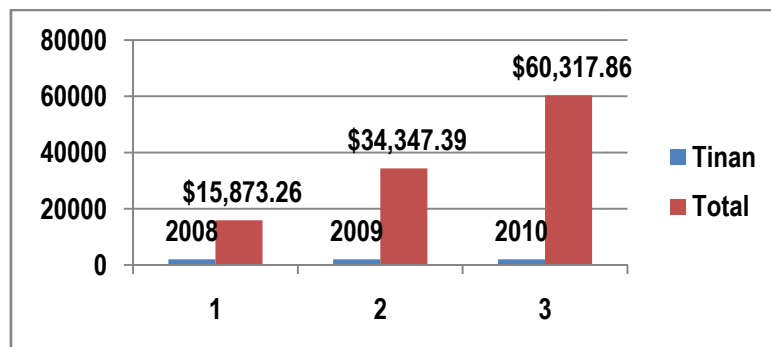
With a small economy that continues to be based around subsistence level farming and a small commercial base, revenues are understandably low. The largest source of revenue is the import tax which varies between US\$ 5,000 to US\$ 14,000 each month<sup>9</sup>. There has been a steady increase in import revenue since 2008 (Figure 5). Furthermore, there is little by way of exports from Oecusse, although there illegal cattle trade continues at the border with Indonesia, resulting in a loss to the exchequer.

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<sup>8</sup> Spread is the difference between the interest charged on credit and the rate of return offered on deposits or savings.

<sup>9</sup> Customs District Oecusse

Figure 5: Revenue from Imports in Oecusse (2008-2010) US\$

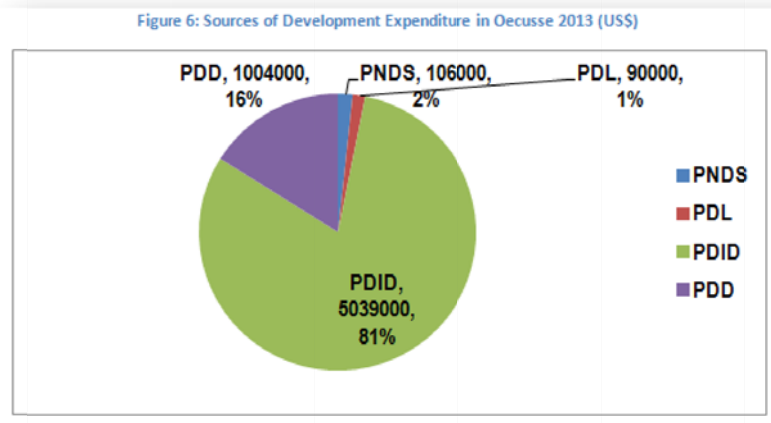


Source: Customs Office Oecusse

#### 4. National development programs are targeting infrastructure development but implementation is slow

Investment in the public sector is an important indicator of political commitment and helps build investor confidence. The Government's

realisation that Oecusse needs sustained investment to build its infrastructure is reflected in its budgetary allocations under the General State Budget. A number of program instruments are used in this respect (Figure 6), with the the bulk of

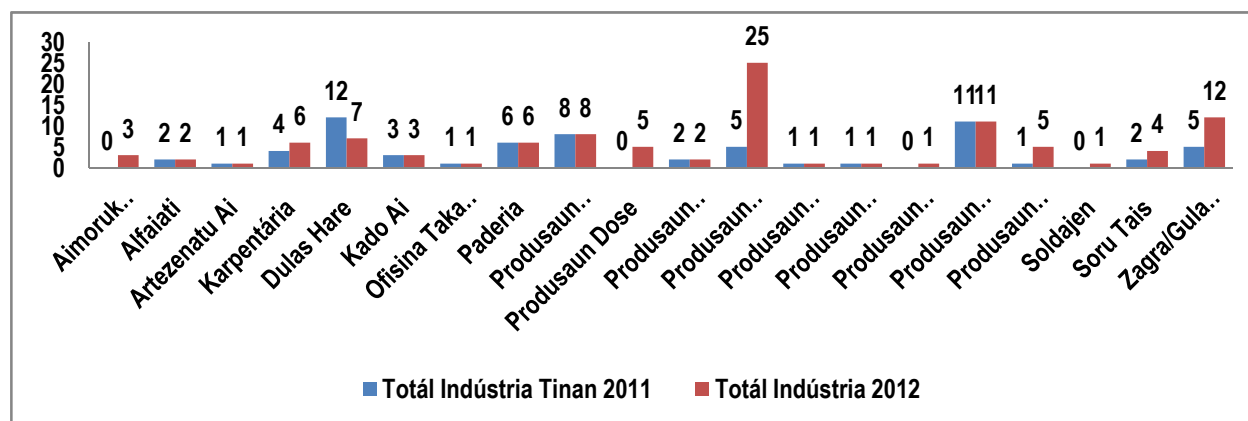


public spending carried out under the Programa Desenvolvimento Integrado Distrital (PDID). The PDID outlay of just over \$5 million in 2013 is meant for constructing police posts, schools, roads, bridges, warehouses, residences, offices and water supply and irrigation systems. Similarly, the Reapropriação de Capital Desenvolvimento PDD I & II have 36 projects mainly for infrastructure development, with a combined budget of just over a \$1 million. These projects are actually a carry-over from 2012 since implementation was slow. Implementation issues also affected the 19 projects under the Reapropriação de Capital Grants (PDL), which were also carried over from 2012.

## 5. Access to capital and poor human resources are stalling growth of small scale commerce and industry

Oecusse has some small industries such as concrete block making, tais weaving, rice milling and carpentry (Figure 7). However these industries face difficulties such as access to capital and skilled human resources.

Figure 7: Industries in Oecusse



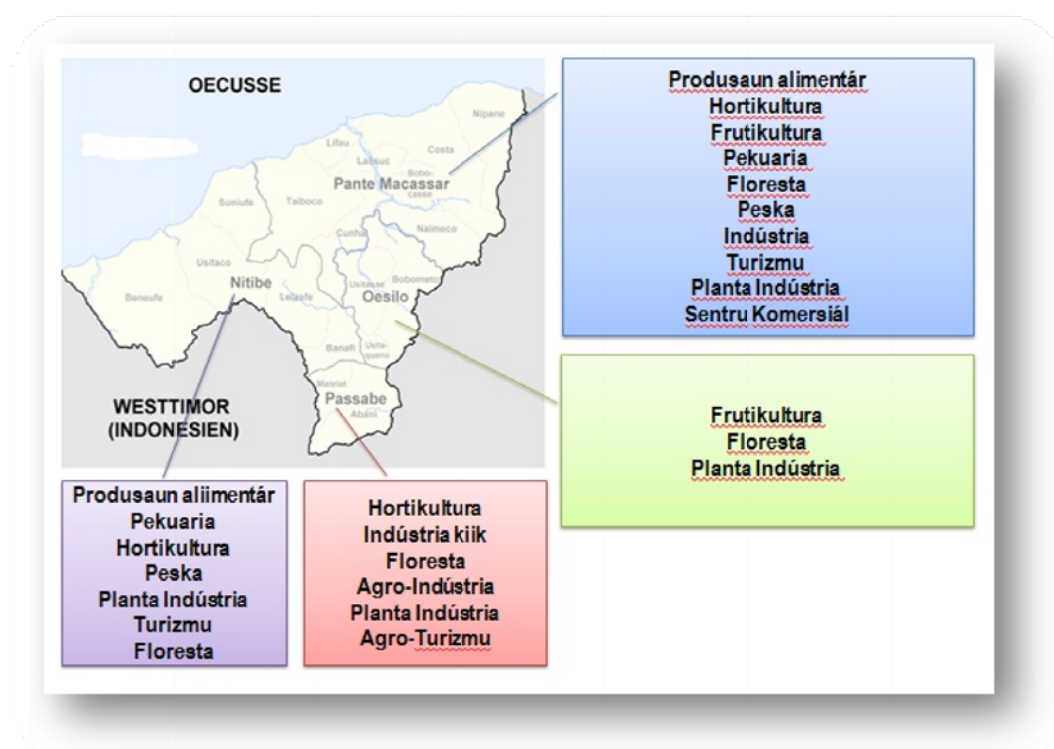
Source: Ministry Commerce, Industry and Environment

Some of the common problems faced by businesses and industries in Oecusse are:

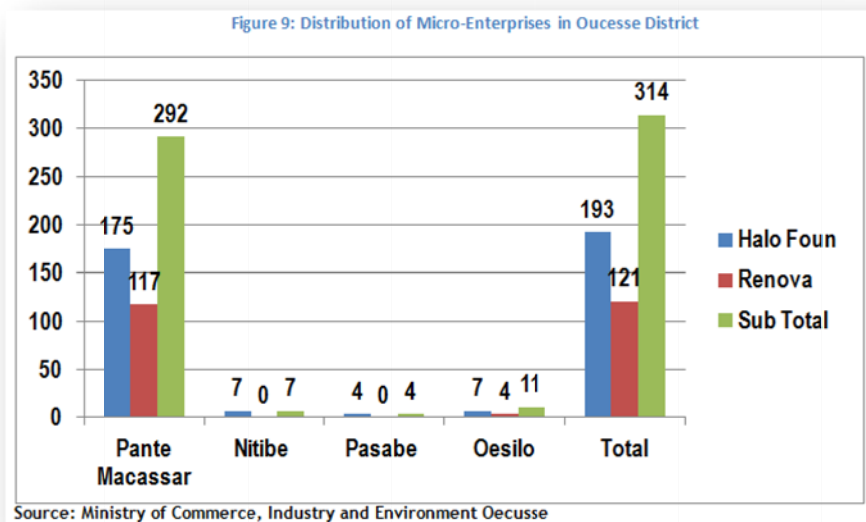
- Absence of qualified workers
- Lack of industrial equipment
- Lack of access to capital
- Training for workers, particularly vocational and technical training
- Poor connectivity and dependence on supply of basic supplies from Dili or from Kefa and Atambua in Indonesia
- Price variation of supplies due to variation in exchange rate
- Poor infrastructure, in particular roads and transport infrastructure
- Lack of business support services
- Weak central bank control over exchange rate
- Labor market participants lack basic training in key area such as accounting, marketing, pricing and business intelligence
- No price control from Government

Despite these hurdles, the private sector is striving to leverage the potential in horticulture, forestry, agro-industry, plants industry, food production, livestock, fisheries, and tourism. By employing a geographical segmentation strategy that links commerce and industry to availability of natural resources and potential for trade, local businesses can prosper (Figure 8). However, the various difficulties faced by businesses need to be addressed if ZEESM is to make a difference.

Figure 8: Possible Geographical Segmentation of Business Opportunities in Oecusse



## 6. Micro-enterprises are growing



There are 275 businesses, comprising 150 small, 100 medium and 25 large enterprises in Oecusse<sup>10</sup>. Given the size of the local economy, it is neither surprising to note that the micro-enterprises i.e. businesses with less than 10 employees, are growing in number, nor that

almost all are based in the district capital, Pante Macassar. Data shows that the total number of micro-enterprises is now 314, of which 121 are newly established (Figure 9).

However, like other forms of business entities, micro-enterprises face a number of difficulties, including:

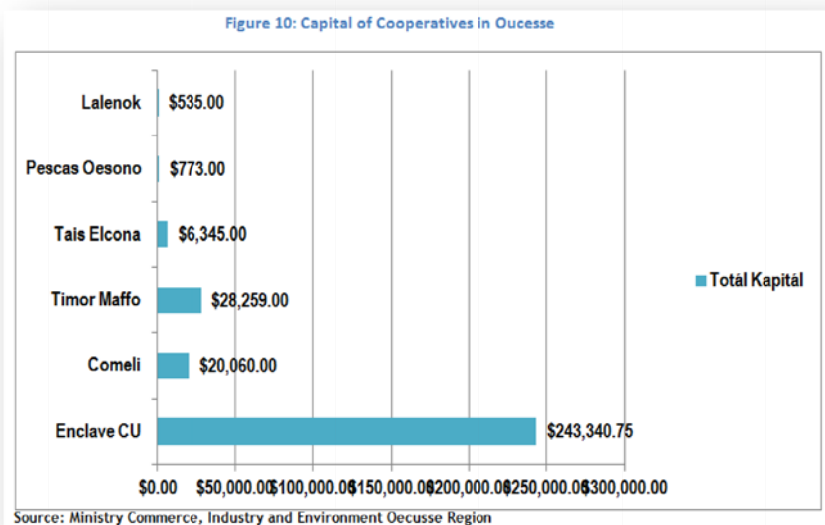
<sup>10</sup> As per data received from the Chamber of Commerce and Industry Oecusse



- Weak management skills
- Lack of requisite equipment
- Indonesia visa processing for workers from rest of Timor-Leste
- Distribution issues related to poor port management and red tapism
- Difficulties in obtaining a business license
- Training (basic, medium and advanced accounting; project analysis: *cash flow*, *NPV*, *IRR* etc.)
- Delays in payments made from Dili, leading to challenges in cash flow management
- Inadequate skills for information collection and coordination with key Government organisations Attending to public must be professional (information, coordination)
- Weak work ethics
- Minimum wage legislation for present and for future implementation of ZEESM
- Inadequate infrastructure and facilities
- Limited access to capital
- Cumbersome Customs payment system
- Chamber of Commerce & Industry (CCI) not functioning well

## 7. The Cooperatives Sector is small but facilitates entrepreneurs

District Oecusse has 6 Cooperatives, 4 in Sub-District Pante Macassar and 2 in Sub-District Oesilo, with a combined total membership of 466. This total includes cooperatives not registered by the Ministry of Commerce, Industry and Environment (MCIA) Regional Directorate. The total capital raised and available with the Kooperativa Enclave Credito União (the union of cooperatives in Oecusse), is US\$ 243,340.75 (Figure 10) and this is shared with Cooperative members to invest in economic activities such as tais weaving and fishing.



## 8. Agriculture needs immediate, substantial Government support

Agriculture is the mainstay of the Oecusse economy. Although most farming is at a subsistence level, there appears to be considerable potential for using agriculture to achieve food security, increase rural incomes and thus transform peoples' lives. Paddy rice in Lalisuc, Cunha, Lifau and Naimeco sucos has the potential to produce up to 3.50 ton/ha

of rice, with total production of 10,776,50 tons in the four sucos. Similar potential exists in sub-District Nitibe, which can produce up to 3.70 ton/ha rice with total production 7.130 tons over an area of 2.275 ha in Naktuka<sup>11</sup>. There also appear to be opportunities for maize and vegetable production.

However, for this potential to be realised, certain pre-requisites need to be met:

- ***Put in place an efficient Agriculture Extension System***  
The farming community needs the services of a client-oriented, knowledgeable team of Agriculture Extension personnel, who can guide and facilitate growers and is accessible to them. However, in reality these expectations are seldom met due either to problems of mobility (no transport available) or lack of technical knowledge.
- ***Government-NGO collaboration needed***  
During the Focus Group Discussion, the community indicated that the Government needs to coordinate with other institutions such as NGOs, on how to develop facilities and provide equipment, piped water supply, quality seeds, fertilizers, pesticides, capital and training. These issues need effective coordination and holistic efforts to be able to achieve the objective of agricultural development in the future.
- ***Support for Agriculture inputs***  
To achieve increased production, farmers need help from the Government in the form of repairing irrigation channels, ensuring availability of quality fertilizer, pesticide and insecticide, providing equipment, facilities, tractors and information for farmers.
- ***Production to Market Orientation System***  
Provide warehousing facilities to enable storage and support post-harvest processing of rice, maize, mung beans, soy beans such as drying. Similarly, vegetable and fruits need facilities such as cold storage to ensure freshness, as well as farm-to-market roads.
- ***Agriculture Infrastructure Development***  
To support food production and horticulture and facilitate agribusiness and agroindustry, support facilities need to be developed and operationalised to facilitate farmers. This includes institution such as Centre for Seeds, Centre for Plant Protection, Quarantine, Research Centre, tilling facilities (tractor), irrigation Channel and institution for agriculture production support.
- ***A host of local challenges need to be overcome***
  - i. No access to market
  - ii. Poor condition of roads that hampers farm to market connectivity
  - iii. Irregular or no access to electricity
  - iv. No access to seeds and seeds have low quality
  - v. Diseases and pests destroy food crops and attack animals
  - vi. Little or no support from Agriculture Extension officials in sucos
  - vii. Lack of transparency in distribution of inputs and equipment by Government
  - viii. Agent for livestock in suco does not function well
  - ix. No facilities or support for protection of seedling
  - x. Illegal transaction of animals

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<sup>11</sup> Estimates by Economic Development Team

- xi. Breeding center for animals has not been established
- xii. Community at borders don't feel safe
- xiii. Climate change is impacting farming prospects
- xiv. Infrastructure development in the area can reduce the land available for agriculture and forestry
- xv. Insects and pests can come from neighbouring nations
- xvi. Clearing and burning of land/farmland
- xvii. Farms are not permanent in one place
- xviii. High rate of environmental degradation
- xix. Bird flu/disease can come from across the border

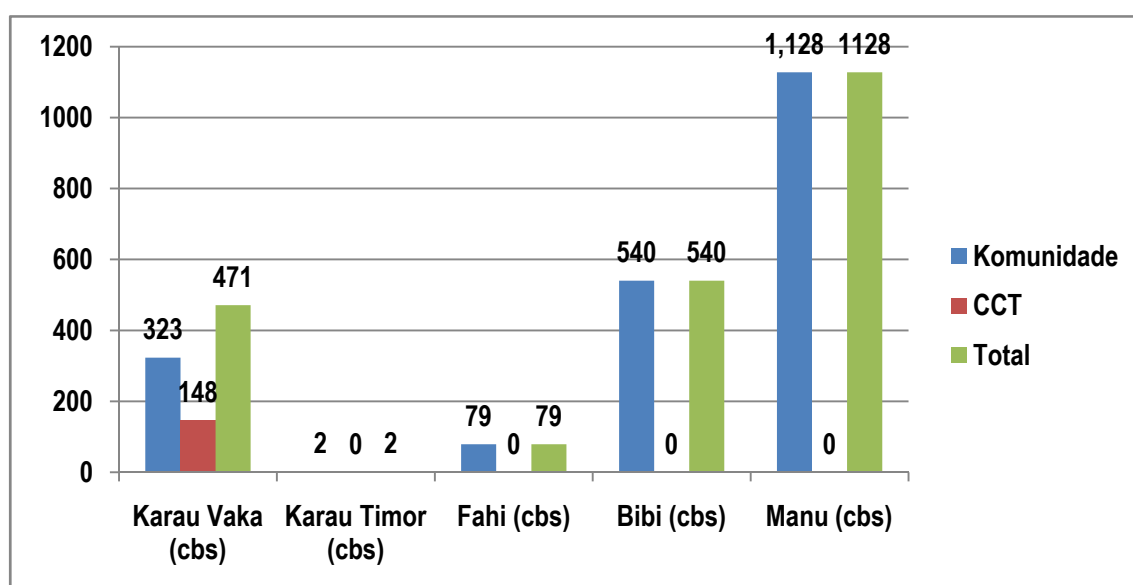
## 9. Livestock has not received due attention and thus has witnessed a progressive decline

The livestock sub sector has progressively declined despite cattle exports having traditionally been a source of income for Oecusse. The lack of Government focus means that there has been no effort to increase production of meat that is of high quality and can fulfil nutrition needs of local population as well as fulfil export potential. Livestock farmers face many obstacles which impact productivity, due to poor knowledge of livestock production and animal husbandry, lack of access to a Breeding Centre and absence of technical support services.

## 10. Illegal cattle trade abounds

As may be evident from Figure 11, cattle breeding and trade can be a source of income for Oecusse, but there is a need to institute better governance in this respect, so as to prevent illegal trade since communities carry out informal transactions at the border compared with data from CCT as indicated in the graph below.

Figure 11: Cattle Trade



Source: Economic Development Team

## 11. Livestock needs better support systems and market-orientation

Common problems that emerged from discussions with livestock farmers include:

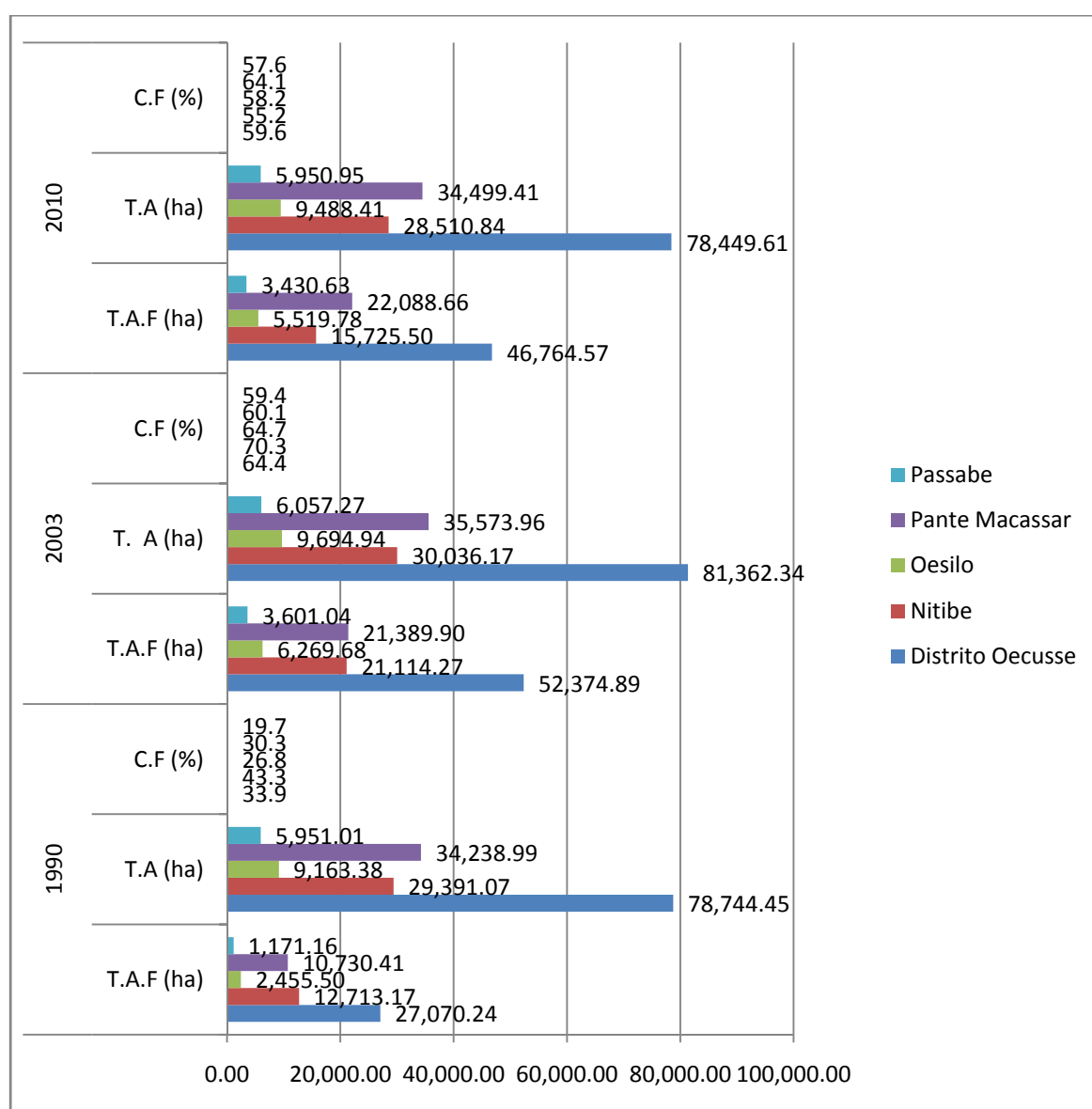
- No center/*breeding* for Animals
- Use system of artificial insemination for improved animal husbandry
- Vaccination program for animal is not punctual
- No control over animal transit from suco to suco or to other districts, sometimes cause problems of theft and sale of other people's animals
- No animal feed/no seeds for animal feed
- No animal health centre in sub-district (just have one in Sub-District Oesilo but it is not functioning well)
- No access to market/ animal market centre
- There is no place to kill animals or abattoir
- Price of animals is unreasonable/no table
- Medicine and vaccine for animals is insufficient
- No training center for livestock breeders
- Livestock technical assistance is insufficient to provide care in sucos when an animal is sick

## 12. Forest coverage is declining alarmingly

Forest coverage in Oecusse is 30.8% of the total area. Data from forest inventory/survey in 2012, published in 2013, shows that the proportion of forest area under threat has reached critical condition. According to this report, 52% of forest coverage in Oecusse is unstable i.e. under threat of degradation. This is mainly due to human activities, uncontrolled chopping of trees and burning to clear land. Government and other stakeholders such as NGOs are taking steps to prevent landslides and increase forest resources, but these efforts need to be enhanced and sustained.

Figure 12 shows the transition of forest coverage since 1990 and points to a declining trend that needs to be arrested.

Figure 12: Trends in Forest Coverage in Oecusse 1990 to 2010



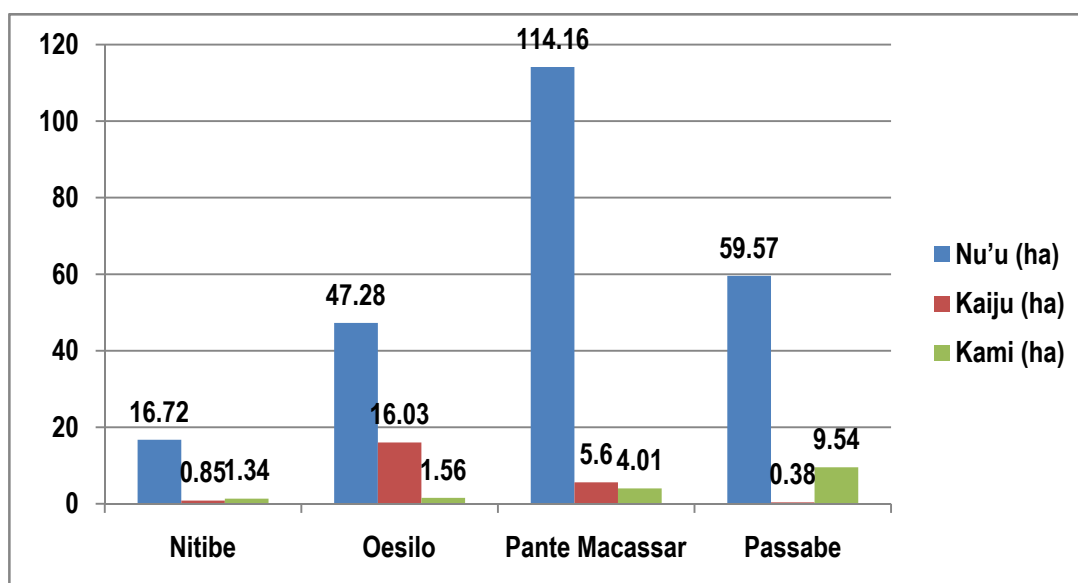
T.A.F = Total Area of Forest, T.A = Total Area, C.F = Coverage of Forest

Source: Economic Development Team

### 13. Food industry has considerable potential

Increase in productivity of coffee and other food plants can increase incomes for farmers in rural areas. In addition to coffee, prospects for growing coconut and cashews also appear to be good (Figure 13).

Figure 13: Potential Areas for Various Foods



Source: Economic Development Team

#### 14. Fisheries remain an underdeveloped resource

Development of national water resources with responsible and sustainable practices which are environment-friendly will have significant value for the nation and people of Oecusse. Through exploration of these resources can provide opportunities for fishermen and aquaculturalists to gain substantial economic benefits. However, several issues need to be addressed:

- ***Lack of quality human resource***
  - i. Fisheries management activities are not carried out professionally because the level of knowledge and skill and quality of human resources in the industry is still limited;
  - ii. Community are more concentrated on the northern coast;
  - iii. Higher level technical public servants are in limited supply;
- ***Facilities to support fisheries are not available***
  - i. Fishing activities are concentrated along the shoreline because facilities for deep sea fishing are limited;
  - ii. Access to material and equipment is difficult for fishermen/aquaculturalists;
  - iii. Facilities to support fisheries growth in the district are limited.
- ***Institutional arrangements are weak***
  - i. Legal basis for management of fishery resources is not yet completed;
  - ii. Maritime boundaries with neighboring nations haven't been determined;
  - iii. Illegal fishing is neither regulated nor reported;
  - iv. Control and monitoring of aquatic resources is lacking;
  - v. Some fishing is done with prohibited material (Poison /chemical bombs etc.);
  - vi. There isn't yet integrated coastal development plan;
  - vii. High level of sedimentation from flooding rivers to the sea. This is a threat to sea resources;

- viii. Frequency of chopping trees is high on the coast, which can increase sedimentation and abrasion on the coastal zone.
  - ix. Regulations for fishing and protection of coastal marine resources are not yet available.
  - x. Low level of awareness and knowledge of principles and practices of sustainable and environment friendly fishing;
  - xi. Information/data on potential aquatic resources is very limited.
- ***New technology has not been embraced***
    - i. Fishery activities still rely on traditional technologies, which tend to be inefficient;
    - ii. Promotion of new fishery technology is difficult to implement (weak capital and skills).
  - ***Economic aspects hinder growth***
    - i. Income levels of fishermen/aquaculturalists is still small;
    - ii. Investment/aquabusiness activities are not yet developed;
    - iii. Cooperation between fishermen/aquaculturalists with national/foreign businesses is not forthcoming;
    - iv. Capital to carry out activities is very low and thus limits opportunities to develop more modern, efficient fisheries practices;
    - v. No Access for fishermen/aquaculturalists to banks and formal credit systems;
    - vi. Quality fisheries generally preoccupied because lack of important knowledge from when the fish is caught to processing and market;
    - vii. Fisherman/aquaculturalists Association hasn't been established properly and hence cannot articulate members' issues with public and private stakeholders;
    - viii. There is no industry based on the coast.

## **15. Oecusse could be the next big tourism destination but it needs heavy upfront investments**

With its natural beauty, rich traditional culture (bso'ot, takanab, bilut) and history, Oecusse could become a prime tourism centre. There are several options that could be pursued strategically, including possibilities for ecotourism, cultural and religious tourism and culinary tourism. The big challenge in this area is the complete absence of any tourism infrastructure. With a non-functional airport, a sea port that is small, the irregular electricity supply and the lack of qualified local labor, the odds are stacked up for any big turnaround in the short term. Yet, with substantial investments in the tourism infrastructure and human resource development, as well as the right positioning in the tourism market, the possibilities are exciting.



## **D. KEY FINDINGS OF THE SOCIAL CAPITAL SECTOR**

The Social Capital Team had to cover a vast thematic ground, including health, education, social protection, employment, environment, culture, civil society and gender. The Team met with large segments of society and sought to capture the essential issues facing the social capital sector as a whole.

### **1. Health services are minimal and of low quality**

The District Health Services Office Oecusse is 25-staff strong (only 5 of whom are female), headed by a Director, and a key services section (Appendix II). Only five of the staff is female. The District Health Services Office is under the management of the Ministry of Health in Dili. Its basic functions are to: a) provide access to Community Health (Primary Health care); b) provide effective implementation of Health Program under the National Health Sector Strategy; c) manage materials, supplies, human resources and financial resources; and d) promote community participation in implementation of health programs. The District Health Services Office also coordinates and manages 4 sub-District health centres (Baqui Health Centre, Pante Macassar; Oesilo Health Centre, Health Centre Baoknana, Nitibe, and Passabe Health Centre) and 17 health posts<sup>12</sup>. It also administers operations of 18 Integrated Community Health Services (SISCA) centres in Oecusse. In addition, there is an Oecusse Referral Hospital, which is an autonomous institution under the Ministry of Health, headed by a Director.

Health service delivery is hampered by a range of institutional issues, including:

- i. Absence of adequate number of medical specialists in the Oecusse Referral Hospital. Those that are present (Paediatrician, Gynaecologist, Surgeon, Interns etc.) face difficulties because of lack of important equipment and facilities for their work, including basic ones such as X-Ray film and blood test kits.
- ii. Low allocation for meeting operational costs.
- iii. Tender law of the Ministry of Health does not give flexibility of execution of operational budget because execution is carried out according to list/categories and process in accordance to that law. For example, process of final selection of quotations and service supply contracts from operational budgets are all done in Ministry of Health.
- iv. There is no Blood Bank in the hospital.
- v. Health Posts are not fenced to provide security against threats posed by animals and thieves.
- vi. There is no expertise in Environmental Health. These services are provided by health workers who work in other areas. Important programs and activities connected to Environmental Health therefore cannot be implemented.
- vii. Electricity in Oecusse district is only available for 8 hours during the night. This has created a big challenge for the hospital and District Health Services Office. Use of generators increases operational and maintenance costs.
- viii. Since being handed over to the Ministry of Health, the budgetary allocation for the Family Health Promoter (PSF) program has been low. At present 121 promoters are active, while the need to sensitize and facilitate family health care continues to rise.

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<sup>12</sup>Baoknana health post in Sub-district Nitibe is not functioning because of its proximity to the Health Centre in Baoknana.

## 2. Health problems are acute for children and women and linked to social and customary practices

### - *Common health problems*

Illnesses frequently registered in health facilities include:

- i. Respiratory illness which mostly affect children 5 years old and under and is caused by pollution. Cases of respiratory illness are registered in all health posts.
- ii. Diarrhoea.
- iii. Skin disease (scabies), because there is no health care and hygiene
- iv. Malaria, which mainly affects children in age group 5-14 (Table 5)
- v. Pneumonia, especially in children and pregnant mothers.

Table 5: Incidence of Malaria (Confirmed and Unconfirmed) by Age Group						
District	< 1	1 – 4	5 – 14	15+	Total	Pregnant mothers
	Cases	Cases	Cases	Cases	Cases	Cases
Oecusse	6	74	186	162	428	5

Source: Data from Ministry of Health (2013)

Other illnesses that the District Health Services Office considered serious include:

- *Leprosy* There are 44 cases undergoing treatment and their number has increased in 2013. The number of leprosy cases is highest in Pante Macassar sub-district (Baqui health centre) and Oesilo health centre.
- *Tuberculosis* has 47 cases and patients continue to get treatment from Health Centres and Posts. Detailed data of Tuberculosis was not available from the District Health Services Oecusse.
- *HIV-AIDS* Health professionals in the District Health Services Office, the Oecusse Referral Hospital and health centres believe there is probability of HIV-AIDS cases in youth and adults. However, the health facilities in Oecusse do not have formal registers (official reports) because of the social stigma attached to and people feel embarrassed and afraid to go to health facilities.

According to health professionals, factors that contribute to the prevalence of these diseases are as follows:

- a. **Lack of confidence in health services amongst men** Males (youth and elderly) are more inclined to go and visit informal health service providers and traditional health providers, rather than health centres, when they are sick<sup>13</sup>. Women and children are more inclined to use the health facilities to get treatment and health information compared to males. Normally women (mothers) take their children when SISCA program visit their suco.
- b. **Poor living conditions and environment** Majority of the people live in houses that are made with local materials such as palm leaves, grass and palm fronds (bebak). The "Ume Suba" or "Ume Bubu" that families live in have no ventilation and cooking is done within the home which causes respiratory illnesses. There are also

<sup>13</sup>Group Discussion Report from Regional Congress for Women in Oecusse, on 28 May 2013 (Rede Feto, Timor-Leste, 2013)

no toilet facilities and clean water, no mosquito nets to protect themselves from mosquitoes during the rainy season.

- c. **Malnutrition** The daily diet does not contain enough protein and vitamins. Family member, mostly husbands or males, eat late when working in farms because they are too busy with their activities. Even worse, wives and women do not eat until the husband eats. Many communities do not have good knowledge about preparing food that has high nutritional value or they do not have the means to purchase them.
- d. **Unhealthy practices** Rural families and vulnerable groups in communities usually sleep on the floor, lack clean water for washing or use for sanitation purposes. The custom of chewing betel nut and spitting in public is an unhealthy practice that can spread illness to people, animals and pollute the environment.

### Box 3: Women and Health Services

Beginning in 2013, the Ministry of Health distributed motorbikes for basic medical staff to carry out their work in Health Posts in all of Timor-Leste. But the poor road conditions prohibited female health personnel to visit rural areas away from health posts, thus denying women of healthcare.

Similarly, the SISCA program does not run regularly in some sucos on a monthly basis because of lack of staff and facilities and the lack of equipment in mobile clinics impacts pregnant women. Furthermore, lack of maternity rooms means that there is no privacy for women who go into labor at health posts and centres and this may discourage women from coming to the health centres.

There are no easy means of communication between Health centres and posts to provide urgent attention to pregnant mothers. Even if they do exist, assistance for urgent cases can't be given easily because the road and transport infrastructure is poor, distances are long, the number of ambulances is low and they are often not maintained properly. Women are thus often forced to turn to traditional methods of delivery and healthcare. In addition, in rural and remote areas many women feel embarrassed to inform and get assistance or treatment for contagious diseases that they may have contracted. Health education services and better facilities in health centres could address this issue.

### 3. Education sector is characterised by poor quality of learning and infrastructure

The District Education Office is responsible for managing the education sector in Oecusse. A total of 40 staff members and 525 teachers are employed and the range of education services ranges from provision of basic to technical education (Table 6). There are more male than female teachers and the same situation exists in the case of public servants in the District Education Office.

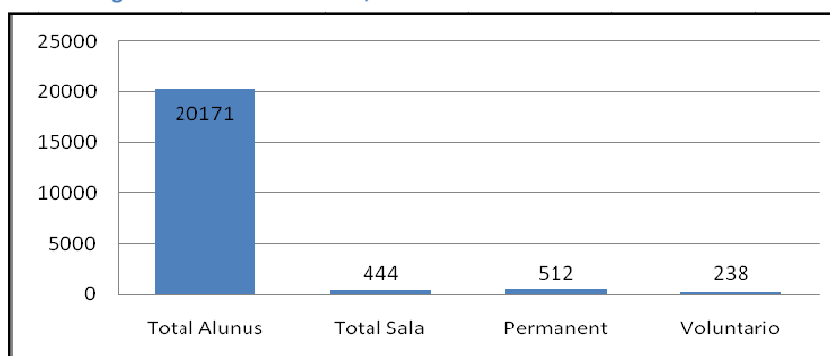
Table 6: Key Statistical Data from Education Oecusse District		
No	Description/Issue	Total
1	Total Public Servants in Education sector Oecusse	586
2	Total Teachers	525
3	Total Public servants in district education office Oecusse	40
4	Total female teachers	177 (34%)
5	Total pre-school	4
6	Total Central Primary schools	9
7	Total Branch Primary Schools	67
8	Total Secondary Schools	3
9	Total Technical Professional Schools	1
10	Total Technical Agricultural School	1
11	Total Classrooms for Adult Literacy	13
12	Total tertiary schools	3

Source: Profile of Oecusse District Education Office, 2009 – 2012

Specific problems faced in the education sector in Oecusse district are as follows:

- **Poor quality of infrastructure and education facilities**  
Condition of schools, classrooms and furniture are poor due to lack of maintenance. Due to centralisation of powers, the District Education Office does not have its own budget to carry out maintenance for infrastructure and school facilities. Many schools do not have clean water and toilets, posing a health risk for students. Schools also do not have separate toilets for males and females which make it difficult for girls for safety and health reasons.
- **Standards for classroom size and student-teacher ratio are not met**  
The national standard of 25 students per class is not being met, as the current number of classrooms is almost half of the prescribed number (Figure 14).

Figure 14: Total classrooms, students and teachers in Oecusse



Source: Education profile Oecusse, 2009 - 2013

The number of permanent teachers is also low compared with number of students according to the national ratio. The gap is somewhat plugged through deployment of volunteer teachers, but the fundamental need for increasing the number of permanent teachers remains.

- **Use of Portuguese as medium of instruction is hampering learning**  
Portuguese is one of the twonational languages but continues to be a barrier for learning. Most primary and secondary teachers do not speak Portuguese and are thus unable to teach. A policy for using mother tongue in primary schools was introduced two years ago, but its impact on learning and quality of teaching has not yet been

assessed. The majority of university lecturers in Oecusse teach using Tetum and Bahasa Indonesia rather than Portuguese.

- ***Drop out levels are high***

Oecusse has the fifth highest number of dropouts in Timor-Leste. This usually occurs in year 6 (sixth year of school) in primary school<sup>14</sup>, and is often a consequence of primary school age and junior high school age children running away<sup>15</sup> to Dili to be involved in labor and small businesses. This phenomenon mainly affects boys from age 12 to 16, majority of who are from Bobometo, Abani and Usitasae sucos. There is presently no data to confirm the number of girls involved in this respect but the level of drop outs is higher for girls.

- ***More than 50% of girls do not receive formal education***

The 2010 census shows that 53.2% of girls in Oecusse never attended formal education compared to boys, thus causing a gender gap in education.

- ***Early Childhood Education programs are not functional***

Pre-school program play an important role in laying the foundations for childrens' learning. However, in Oecusse district pre-school teachers and facilities are very limited. Moreover, parents are not aware of or convinced by the need to enrol their children into pre-school centres when they reach the age of 4.

- ***School breakfast program faces implementation problems***

The School Breakfast program has been implemented in Oecusse as an incentive for student enrolment and retention. For the majority of vulnerable families, this program is important to guarantee good health for their children. However, there are considerable delays—sometimes as much as three months—in the supply of food items. Moreover, schools do not have permanent cooking facilities that meet health and hygiene standards (Figure 15).

**Figure 15: Cooking Conditions in Boboloa Primary School, Suco Bobocase**



<sup>14</sup>Timor-Leste Demographic and Health Survey 2009-10 (Page. 54)

<sup>15</sup>Come to live in Dili without agreement from parents and school

- ***Adult Literacy Program has been ongoing but does not cover whole of Oecusse***

In 2008 the Government of Timor-Leste declared the district of Oecusse to be free of illiteracy when implementing the adult literacy program. This program was supported by the Government of Cuba. Interviews with the elderly in Aldeia Noeninen, Suco Cunha and Aldeia Teinae, Suco Naimeco confirmed their participation in the literacy program in the past and that they are able to sign for themselves to receive old age pension in BNCTL. However, important meetings with members of government or representatives of the state are held in Tetum and then translated to Baikueno because many adults in rural areas do not read, write or understand Tetum or Portuguese languages. Moreover, the District Education Office does not have transport facilities to carry out non-formal education program in the whole of Oecusse district.

- ***Opportunities for tertiary level education are opening up***

Two Universities and other technical institutions including Dili Institute of Technology (DIT), University of Peace (UNPAS) and High Institute of Cristal have opened their campuses in Oecusse district. They contribute directly to development of professional human resources for district of Oecusse, and help limit migration to urban areas such as Dili. However, these universities do not have laboratories and libraries and lack the requisite number and quality of lecturers.

In order to improve tertiary level education services, there is a need to strengthen coordination between regional directorate of education and these institutions; look for partnership in research and make priorities and plan for development of human resources directly linked to ZEESM. Even though the government has already opened Technical Agricultural School in Oecusse, there is still a need to build more technical schools specializing in infrastructure, livestock and tourism in order to prepare the required human resources and especially to prepare graduates and youth for work opportunities in ZEESM.

**Box 4: Women and Education Services**

School facilities are far away from the community especially in remote and isolated areas which limits access to education for girls, due to concerns over safety. There are no transport facilities in remote areas and whatever means are available, such as the *ojek* (mode of public transport in Oecusse district), the cost may be prohibitive for poor families.

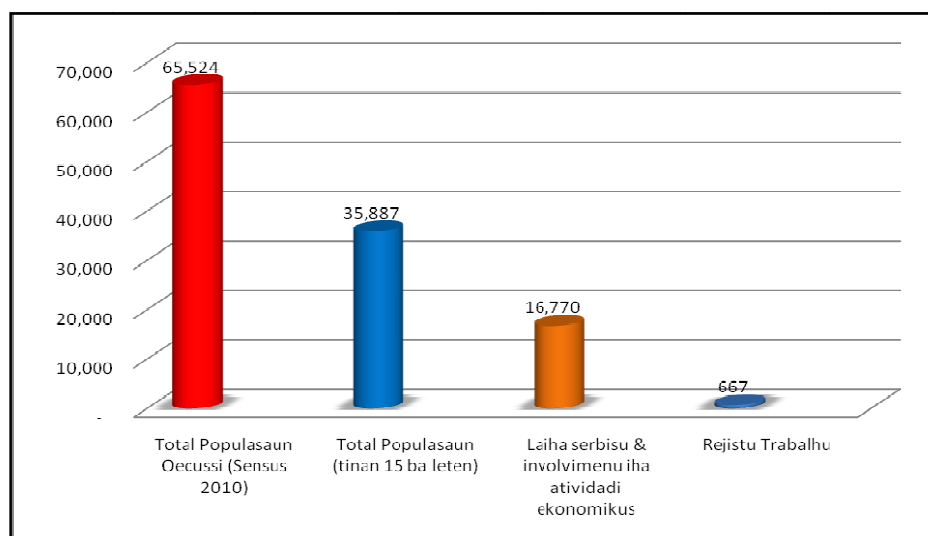
Sometimes, because of these difficulties parents decide to send their daughters to the city and stay with family there so that they can be close to a school. However, this can lead to domestic abuse and sexual violence. Customary roles of girls contributing to domestic work, may lead to dropping out from school or lead to repeating classes. In 2013, the Government of Indonesia has implemented the “*jam belajar bagi anak*” policy, in order to provide opportunities for children (girls and boys), allowing them to study from home. This policy can be applied to Timor-Leste, tailored to local needs and contexts.

Many schools either don't have toilets or don't have separate toilets for girls. In addition, the national curriculum for education does not integrate issues of gender equality and there is no reproductive health education to sensitize girls to health risks.

#### 4. Unemployment is very high

Nearly half the population of 15 years and above in Oecusse district is unemployed (Figure 10). This is because the current job market is shallow, offering few opportunities in the public, private and Cooperatives sectors. The Oecusse District Secretariat of State for Vocational Training Policy and Employment (SEPFOPE) Office informs that unemployment is highest in the Sub-district of Pante Macassar, especially for carpenters, tillers, and machine operators.

Figure 10: Unemployment in Oecusse



Source: Data from SEPFOPE Oecusse

The SEPFOPE, which set up its office in Oecusse in 2007, has implemented important employment programs such as Rural Employment Program (Programa Empregu Rural) to give incentives to vulnerable communities in rural areas through small infrastructure development in rural road building, construction of small bridges and others according to defined criteria. These short-term projects pay \$3 per day to participants. SEPFOPE is also implementing a self-employment program which has benefited a substantial number of women (Table 7).

Table 7: Gender Breakup of Beneficiaries of Rural Employment Program in Oecusse			
Sub-district	Beneficiary		Total
	Male	Female	
Pante Macassar	392	350	742
Oesilo	168	150	318
Nitibe	212	200	412
Passabe	112	100	212
<b>Total</b>	<b>884</b>	<b>800</b>	<b>1,684</b>

Source: Oecusse SEPFOPE Office (2013)

#### 5. Vocational training facilities are scarce

There is no vocational training centre in Oecusse district at present. Because of this, the SEPFOPE Regional Office Oecusse has to send participants in their programs to the training



centres in Tibar, Don Bosco and other areas. Budgetary limitations means only a few can benefit from training and this in turns reduces SEPFOPE's ability to respond to market needs, particularly for technicians and professional services. The SEPFOPE Oecusse informs for example, that local construction companies have difficulty in finding local carpenters that have the capacity and experience to install aluminium roofing. Local companies are thus forced to employ foreign workers, mostly from Indonesia.

To address this issue, SEPFOPE is working on a two-pronged strategy. One, with the recent donation of land measuring 1haby the community from Suco Naimeco, Sub-district Pante Macassar, and the first integrated training centre in Oecusse district for vocational training to youth is planned to be established. Construction of the centre is expected to be completed in 2014, with funding from the Government of South Korea. Second, SEPFOPE is progressing towards giving accreditation to private training centres such as the Franciscan Sisters Training Centre in Padiæ, Suco Lalisuc, who give training to women on sewing clothes. This training centre also has a pre-school and also training in small animal raising especially pigs. FPWO, a local NGO that works on advocacy of women's rights also gives training and assists women's self-employment groups to access credit and work on horticulture. Bifano, a local NGO that works in suco Usitasæ, Sub-district Oesilo, provides training and assists self-employed groups that include women and men in activities such as growing onions, soy beans and vegetables. The SEPFOPE also works with the Centre for Business Development to give business/enterprise training to self-employed groups.

In addition, there is also a need for improving coordination between SEPFOPE and Public Services Oecusse office in relation to identification of project location, type of project and working together to protect the rights and occupational safety of workers.

#### **Box 5: Women and Employment**

Participation of women in the labor market is important to reduce poverty and increase economic independence of women. Participation of women in Oecusse in vocational and skills training programs organized by SEPFOPE is very important but issues surrounding safety and security away from home often cause them to opt out of such trainings. Construction of the integrated training centre in Oecusse district will address this concern by offering organize vocational training in Oecusse.

Self-employment programs that involve women are helpful but these do not offer secure production facilities or quality control support, which impacts the quality of products produced under these programs.

Many female youth interviewed by the team did get work after participating in vocational training organized by SEPFOPE Oecusse. However since most jobs are generated in the infrastructure sector, opportunities for women are limited. SEPFOPE could facilitate information collection and job hunting for women in non-infrastructure sectors.

Women members in self-employed groups are worried as the \$3 per day project organized by SEPFOPE Oecusse does not involve women already in self-employed groups. This is because the selection of beneficiaries in this project is left to the Chefe Suco and Chefe Aldeia, who often chose only their families and friends. By reviewing this selection mechanism, SEPFOPE could reach out to more deserving women.

## 6. Environmental risks are not receiving due attention and thus pose several economic risks

State of the Nation Report Timor-Leste 2008 states that management framework in environment lacks some important elements such as a) Legal framework for environment management including rights to land and water, protection of specific areas and species and forests; b) Impact evaluation of environmental and social regulatory framework for extraction of mineral resources and logging etc.; c) Management plan for environment; and d) civic education for environment<sup>16</sup>. Oecusse is faced with a host of challenges in this regard:

### - ***Air pollution is ramping up public health costs***

Air pollution contributes to respiratory diseases and the number of cases registered in health facilities in Oecusse district is on the rise. Since 2012 residents of Pante Macassar have suffered a high level of dust resulting from a national project to build a road through the city. The Environment Office Oecusse never carries out monitoring and evaluation on environmental impact of infrastructure projects and because of this weak regulation, no company has applied for an environment license, which is required under law to carry out construction projects. The National Directorate of Environment in Dili also confirmed the same challenges which points to a complete lack of interest in enforcing regulations and standards.

Air pollution also occurs due to the practice of burning branches, grass and dry wood in months of September and October in areas that are already deforested (see below).

### - ***Deforestation is on the rise***

Deforestation results from practices that involve burning of land and trees, which leaves mountains and forests bare, causing losses to biodiversity and to the quality of Oecusse's environment. Consumption of firewood--95% of households in Oecusse cook with firewood--depletes forest resources, causing land degradation, erosion and reducing the quality of the aquifer. Deforestation can also make water sources dry up, especially in October and November, which negatively impacts animals and people that depend on these water sources. Deforestation of grasslands and plants also occur because of the practice of leaving animals free in the forests for grazing.

### - ***Climate change is posing severe risks for vulnerable segments of society***

Impact from climate change induces flooding, high temperatures that dry out water springs and prolong the dry season and rainy season. The current sea level in Timor-Leste has increased by 9 mm (0.009m) each year since 1993<sup>17</sup>. Oecusse district has also registered cases of heavy flooding in 2006 from Tono River that destroyed houses in the community, rice paddy fields and other agricultural land, led to large loss of animals and inflicted other damage in Cunha and Lalisuc sucos at that time. This flood was registered as a national disaster because of the scale of its impact<sup>18</sup>. According to data from District Environment Services Oecusse, flooding also occurred in Citrana and Bene-ufe suco<sup>19</sup>.

<sup>16</sup> Barreto (2007), iha "Timor-Leste State of the Nation Report". National Commission for Research and Development, 2008 (Page. 87).

<sup>17</sup> PCCSP (2011), iha Mudansa Klimátika no Meiu-Ambiente iha TL, Sekretáriu Estadu Meiu-Ambiente, 2013

<sup>18</sup> Observasaun pessoal husi Regio da Cruz Salu, wainhira hala'o kna'ar iha projetu OCAP iha distritu Oecusse husi tinan 2004 - 2006

<sup>19</sup> Recursus Ambietal Oecusse, 2013, Page 15

- ***Environmental legislation is needed to protect sandalwood***

Sandalwood is a valuable natural resource and its export market is potentially lucrative. However, unless environmental legislation is enacted that seeks to protect and conserve the existing environment and biodiversity, this potential will remain unrealised.

- ***Industrial and commercial waste management is non-existent***

The National Directorate of the Environment is responsible for industrial waste management, but it cannot perform this function in Oecusse because there is no means of transportation of waste oil from workshops to a collection and treatment centre in Tibar. Alarming, the National Directorate of the Environment states that there is no plan to manage waste oil in Oecusse because of the logistic issues involved, lack of financial resources and also because there is currently no treaty with Indonesia that allows for transportation of waste oil, chemical substances or hazardous material by land routes.

A lot of rubbish is also produced from the Numbey, Tono and Maumate markets. In Tono and Maumate markets, there are no rubbish collection points and waste management, so people throw rubbish into nearby rivers or rice paddy fields. In contrast, the District Administration has made better arrangements in the Numbey market, where rubbish is collected from designated collection points. Even though these arrangements were put in place only in September 2013, they at least do represent an effort to improve sanitation conditions and reduce health risks for the public.

**Box 6: Women and the Environment**

Respiratory diseases affect children because of exposure to pollution caused by construction projects. This places additional burden on mothers, who have to tend to ailing children in addition to performing household chores.

Rising temperatures due to climate change also dries out water sources. Clean water facilities are far away from community dwellings, especially in rural areas, causing women to walk long distances to fetch water. In Palaban, in Costa suco, women take water from broken or leaking pipes, which obviously have health risks.

In Buquei aldeia, Usitasae suco, the community themselves applies local regulations to penalise residents who bathe in or wash clothes in the public water reservoir or in front of public taps. According to this regulation, each family must collect water from taps and take it back to their homes for cooking, bathing, washing clothes. Each person must pay \$5 to \$30 in case of non-compliance.

Discussion with community members (female and male) points to their approval of this self-regulation, which they believe will enable better water management. Women in the discussion also agreed with this but the team observed that in real life, this regulation can impede women and children as there is lack of water for bathing, washing clothes, etc.

## 7. Social inclusion is promoted through various mechanisms, but gender inclusiveness remains a challenge

The Government of Timor-Leste is committed to provide assistance to the poor and vulnerable. To this end, it has several programs in place that are also under implementation in Oecusse:

- ***Payments for the elderly***

These are made to 5,544 elderly people in Oecusse (2,844 females and 2,700 males)<sup>20</sup>. Problems and challenges that the elderly face is that a lot of payments have not been received even though their names have been registered; some have not yet registered their names and there has been the odd case or two of falsification of elderly data. The office of social services is now updating its registration data. Other issues result from lack of information regarding when payments are to be made and also related to difficulties in accessibility to payment points. The former is due to lack of synergy between the Office of Social Services and other offices, in particular the State Administration, who can ensure that community leaders convey information in time to the beneficiaries. In addition, NGOs working in remote areas could be engaged to communicate information and offer guidance to the elderly.

- ***Social Assistance***

Through this program assistance has been given to 21 disabled persons including 14 females and 7 males. The NGO PRADET works with social services in this area in Oecusse. Social assistance also includes making a funeral car available to take bodies of people who have died in the hospital, back to their family.

- ***Social Reintegration***

The social reintegration program includes a payment to assist widows in raising children as a single parent. There are 900 beneficiaries in this program in Oecusse. Reducing social marginalization of victims of gender-based violence (GBV) is one part of the policy of social reintegration. In connection with this program, there are also GBV victim protection focal points in Oecusse that work together with other sectors working on gender equality, including the Vulnerable Persons Unit (VPU) of PNTL, safe house and referral network and others that are included in gender working group in Oecusse, led by the Deputy District Administrator Oecusse.

- ***Disaster risk reduction***

The Social Services office works together with the District Disaster Committee that is led by the District Administrator. Through the Ministry of Social Solidarity the State allocates USD 10,000 each year to each district committee to attend to disasters. Oecusse does not have as many natural disasters as other districts but experiences flooding, strong winds, landslides etc.

- ***Gender equality, equity and integration are tough to achieve***

A range of issues confront efforts to improve gender equity and inclusion:

- a. Level of literacy of women continues to be low in Timor-Leste. Many women don't have access to formal education because of patriarchal system. The State

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<sup>20</sup> Dadus husi Exkritóriu Servisu Sosial distritu Oecusse, Setembru 2013

continues to address these issues under the education policy, but significant change may only be evident in the medium to long term.

- b. Physical violence including domestic violence which occurs frequently because of economic difficulties and social factors. Data of crimes committed in Oecusse from 2010-2011 indicate that the highest number of cases reported is of domestic violence totalling 53 out of 101. Oecusse has the third highest level of reported domestic violence in Timor-Leste<sup>21</sup>.
- c. The Domestic Violence Law is important to sensitize communities of domestic violence being a crime. However, domestic violence cases that are resolved by the police or courts also affect dignity and unity of families, sometimes leading to divorce.
- d. Discrimination of women in public service, in opportunities to tertiary and technical education and in the political sphere. An example of the latter is that In Oecusse there is no female Suco Chief compared to Baucau district, and from the total Suco Chiefs in Timor-Leste only 2% are female.
- e. Women have a bigger role in domestic work compared to men (husband and sons) because of patriarchal customs.
- f. There is no Secretary of State for the Promotion of Equity (SEPI) office, but work in regards to gender equality in Oecusse is coordinated in four ways:
  - A Gender Focal Point /SEPI serves to achieve gender mainstreaming in government services in each district. The focal point's role is to support the technical secretariat of District Gender Working Group; coordinate national services, especially implementation of SEPI programs and represent SEPI in activities in the district as organized by District Administration or other institutions.
  - District Gender Working Group aims to promote better gender integration in plans and programs for district development. The Deputy District Administrator is the President of this Group.
  - Local NGOs also work on gender equality issues. Through Rede Feto at national level, local NGOs in Oecusse include FPWO, Centro Feto Oecusse and FEEO. However, other NGOs also integrate gender equality in their plans and programs including BIFANO, CCEO, ACHAE, FOSCI, OXFAM, Caritas, FFSO, and JSMP.
  - Oecusse Referral network includes Social Services Oecusse, Vulnerable Person Unit in PNTL's office to receive and give protection to vulnerable women from domestic violence and other forms of GBV. PRADET works together with Oecusse Referral Hospital to give counselling to victims of sexual and domestic violence. There are also judiciary institutions and other justice institutions that have same role including PDHJ and District Courts of Oecusse. In principle, the Referral network was established to ensure implementation of Domestic Violence Law. The Government through Ministry of Social Solidarity coordinates integrated services for victim support. The referral network is led by focal point from Ministry of Social Solidarity.
- g. Culture of patriarchy in Timor is also prevalent in Oecusse district where women and daughters carry out more domestic chores compared to men and boys. The husbands also make the final decision in most matters, including decisions about use of money from women's work. In patriarchal culture, some

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<sup>21</sup>Report from SEPI, 2010; Confirmation from National Director for Planning and Policy SEPI, 23 September 2013

continue the family's customs because daughters marry and leave the house. Fathers receive barlaque (dowry) for daughters which replace the dowry he had paid when marrying the mother. Therefore the sons enjoy more rights to receive family inheritance, land and other assets.

- h. In rural areas women of young ages go into early marriage as parents don't want to send their daughters to school or sometimes they do not finish school. Often, parents don't have the financial capacity to help their daughters continue going to secondary school or university. Because of this they stay home to do domestic work. As in other districts, early marriage occurs because (i) practice of tuanangga (arranged marriage) between two families; (ii) teen pregnancy; (iii) families insistence; and (iv) it is a means to quickly receive barlaque. In rural areas, early marriage is a normal practice and when women of marriage age are not married off, a social stigma is attached to it. Women of young age who marry early are also to reproductive health problems.
- i. Many women in Oecusse, especially in remote and rural areas do double the work in order to assist their husbands in agriculture work. The Census 2010 shows that in Oecusse (including urban and rural areas) more women than men work in agriculture and fisheries<sup>22</sup>.
- j. Men discourage women from seeking work that involves physically moving to another place or being away from home for long periods of time. According to Atoni customs, men or husbands feel offended when others see their wives or daughters doing more work than them.
- k. Local NGOs in Oecusse argue that since independence, the concept of gender and women's rights is not explained properly to the community because the concept of gender always places importance on women's rights but not about equality of rights between men and women which makes community think gender is only for women. NGOs are also unhappy with work of GBV referral network because it gives more attention and capacity/training to female victims of violence while ignoring the male perpetrator who has committed violence against women.

*"...If ZEESM opens up new jobs, our sons and daughter will only think about getting work and when daughters don't want to marry then the parents will miss out getting barlaque..."*  
 (Mr. Lauriano Suny Teme,  
 Participant, Aldeia Cabana,  
 Suco Suniufe, September 2013)

#### - **Civic Organisations and Participatory Practices**

A total of 19 NGOs, national and international are currently working in Oecusse. Most NGOs work on poverty reduction and advocacy as an important partner of the government. Sectors in which NGOs work include agriculture and horticulture; water and sanitation; micro credit; health; training; advocacy and civic education on issues such as gender, environment, basic infrastructure and justice. Many of the local NGOs are in Suco Costa, Suco Nipani, Suco Bobocase, Suco Cunha, Suco Bobometo, Suco Taiboco, Suco Usitasae, Suco Banafi, Suco Abani, Suco Malelat, Suco Usitaqueno, Suco Usitako, Suco Lelaufe, Suco Suniufe and others are in all sub-districts.

<sup>22</sup>Timor-Leste Census 2010, Volume 3: Social and Economic Characteristics (Pag. 272)

There is also a local media that promotes and disseminates information to the public. Agencies include Radio Comunidade Atoni Lifau (RCAL), Suara Timor Lorosae, Timor Post, Radio no Televisaun Timor-Leste and Radio Maubere. The newspapers TOBA IN LASI (TOLAS) and Lifau Post that existed in past could not continue because of limited finances. Lifau Post will go back into publication in the near future when ZEESM begins implementation in Oecusse<sup>23</sup>. Other means of communication and social media is through [www.facebook.com](http://www.facebook.com) which includes OECUSSE START GROUP and ZONA ESPECIAL ECONOMIA SOCIAL BA MERKADU to promote Oecusse's potential.

- **Self-Help Groups are active in Oecusse**

Community grassroots organizations in the form of self-help groups have been established, mainly in rural and remote areas, since 2004. The concept of self-help groups was introduced in Oecusse through the UNOPS agency when they implemented the AMCAP and OCAP projects funded by the UNDP and the European Commission. At present, 101 of these groups exist, who have raised over \$500,000 in capital (Table 8) and carry out activities such as small scale production in horticulture, animal breeding and arts/handicrafts. Through these Self-Help groups, the community has been able to learn how to save and manage their money from profits made by the group members from production activities. These group members also learnt about ethics and role of leadership in economic development and business.

**Table 8: Self-Help Groups, Self-Employment Groups, and Cooperatives in Oecusse District (2013)**

Type	Total Groups	Total Members		Total Finance Accrued (USD)	Org	Sub-District/ Village
		Female	Male			
Self Help Group (UBSP)	9	116	221	57,624.00	NGO CECEO Oecusse	Sub-district Pante Macassar, Oesilo and Passabe
Self Help Group (UBSP)					NGO ALEBAO	
Self Help Group	50	314	306	15,739.70	NGO FEEO	Sub-District Pante Macassar, Oesilo, Nitibe and Passabe
Self Help Group	6				NGO FPWO	Sub-district Pante Macassar
Self Help Group					NGO FOSCI	In Naimeco village, Sub-district Pante Macassar
Self Help Group	10	262	327	144,255.85	NGO BIFANO	In Sub-district Oesilo
Self-Employment Group	21	243	211	11,980.00	SEPFOPE Oecusse	In Sub-district Pante Macassar, Oesilo and Nitibe
Cooperative	5	187	258	298,777.75	MCIA Oecusse	In Sub-district Pante Macassar and Oesilo
<b>Total</b>	<b>101</b>	<b>1122</b>	<b>1323</b>	<b>528,377.30</b>		

Source: SEPFOPE Oecusse (2013); Profile MCIA Oecusse (2013); and CECEO (2013)

<sup>23</sup>Mr. Otilio Ote, Focus Group Discussion to Institution Technical Team in ZEESM Office, Land Mark Plaza, 20 August 2013

- ***Diversity of heritage and culture***

The people and land of Oecusse Ambenoembody multidimensional aspects of social, cultural and political heritage.

Custom of wearing Beti (men's woven cloth) and Tais (women's woven cloth) everyday and not just for ceremonial purposes distinguishes people of Oecusse from other districts, where traditional attire is fading away from everyday life. The designs and colors that are on evidence in Tais reflect the values of 18 villages through their patterns. "Beit Bose" (men's tais), were traditionally worn only by tribal kings. Although other sucos now weave Beit Bose, its origin lies in Suco Naimeco.

In Oecusse there also exists a small ethnic or minority group known as "*Fama*". These *Fama* include Colo, Banu, Anuno, Teme, Anuno, Oematan, Oki, Ta'eki, Salu, Elu, Kebo (Quebo), Eko, Meco, Ulan, Kusi, da Costa, Boquifai, Punef, Sasi and Neno clans, and others with their own identity and beliefs of "Faot Kanaf and Oe-kanaf". Each Amaf with Faot Kanaf and Oe-kanaf also venerate some animals, or food or plants or objects that signify a connection between people and nature.

Each suco is demarcated along cultural lines to form 'Sopu' or cultural groups according to ancient traditions. Within the Sopu there are many *Kana* or *Fama*. The language of Baikenu, is unique to the people of Oecusse although from Suco to Suco there is a slight difference in the accent.

Lifau is a sacred place for the people of Oecusse, as a place of cultural heritage and historical significance. The Catholic religion began here, as did modern political administration. The City of Lifau was the first urban center from 1702 to 1769 of what is now Timor-Leste.

The graves of ancestors in Oe-kanaf no Faot kanaf, Bale Mnasi and Sonaf Mnasi are a shared heritage of extended families in Oecusse from one "Kana or Fama". Despite the division of territory under colonial rule and even after independence, members of the same clan from across the border in Indonesia still meet to pay homage to their ancestors and engage in traditional worship rituals. This helps continue traditional and familial ties despite living in two separate countries.



## **E. KEY FINDINGS IN INSTITUTIONS SECTOR**

The Institutions Sector Team collected information through a mix of survey instruments and interviews with key informants. The Team faced several delays in access to some important stakeholders in government, but managed to gain access to significant amounts of information on which this analysis is based.

### **1. Weaknesses in institutional capacity are potential risks for ZEESM**

All public sector institutions face difficulties such as: 1) Weak capacity of human resources; 2) No financial capacity; and 3) inadequate facilities. In addition, gaps in regulatory framework and legislation deepen the challenge for operationalising ZEESM along modern, efficient governance principles and practices. However, the task of instituting better governance is easier said than done and requires not only a review of the structures but also a change in the attitudes and accountability of public servants.

### **2. Rule of Law, transparency and accountability not well established**

Even though there has been some progress, there continues to be a need for greater transparency in how government works, accountability of public officials and a justice system that is accessible by all citizens and one which is speedy and fair in its dispensation. Calls for improvement in performance on these fronts needs to be balanced by the demand for a better pay structure for judicial officers and for overcoming basic issues such as the official language of the court—judges have complained about the use of Portuguese as they are not well conversant in it.

### **3. Intra-governmental coordination is a vital aspect of good governance, but not always evident in practice**

There is lack of synergy in: (i) technical planning between public works and environment for implementation of projects such as rehabilitation and construction of public roads, resulting in pollution and environmental degradation; and (ii) in balancing the roles of public sector and local NGOs in relation to community mobilization.

Similarly, while the work of the Oecusse Directorate of Education is progressing well in terms of execution of education plans, the centralized administration and budget systems do not permit quick resolution of operational challenges.

### **4. Public institutions in Oecusse suffer from common problems**

A quick overview of the main problems faced by sample local offices in Oecusse is presented below:

### ***Public Works Oecusse***

The Ministry of Public Works is responsible for planning, budgeting and implementation of infrastructure development. At the district level, the Ministry is represented by a Public Works Office. The biggest challenge this office faces is in terms of having good quality human resources available. Moreover, projects are planned at national level and do not always address Oecusse's priorities. According to the office, the number of staff is also too small (see below) and leads to overburdening of the small team:

#### **Strength of Public Works Office Oecusse**

- i. Level 1: 8
- ii. Level 2: 3
- iii. Level 3: 4
- iv. Level 4: 5
- Total: 20

The Water and Sanitation District Office Oecusse has total staff strength of 14, as shown below:

- 1. 3 Technical Officers
- 2. Planning design officer
- 3. Administration
- 4. Finance Assistant
- 5. CWSDO
- 6. CDO
- 7. 5 Sub-District Facilitators

According to data that the team obtained from Director of EDTL, public servants in Oecusse and their classification are as follows:

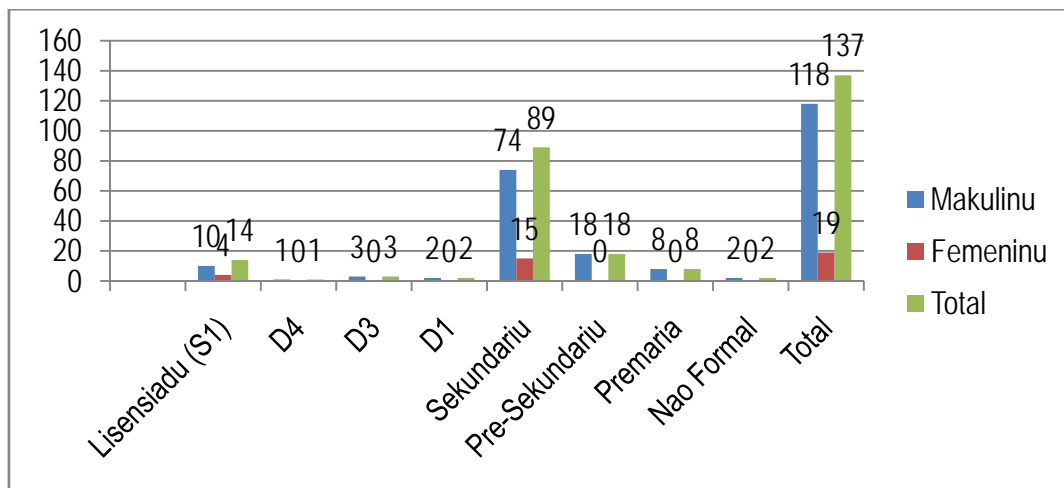
- 1. 14 Operational officers
- 2. 5 Technicians
- 3. Manager 1

Information gathered about the Irrigation Office in Oecusse reveals that public servants that work in irrigation do not meet the criteria for irrigation technical officers, as there is no public servant specialized in the area of hydro or irrigation engineering. There is only one person that has taken a specialized course in irrigation but at diploma level (D3).

### ***Agriculture Office***

A similar situation exists in the Agriculture Office, which employs 107 permanent and 20 temporary public servants. Majority of these public servants are not technically qualified to work on agricultural productivity (Figure 16).

Figure 16: Education Qualifications of Staff of Agriculture Office Oecusse



Source: MAP District Oecusse

### Environment

Office of Environmental Services of Oecusse is a part of the Ministry of Commerce, Industry and Environment and its objectives are to:

- Increase systemic capacity for delivery of environment services
- Increase capacity of public servants and institutions of environmental management
- Protection and conservation of endangered species and biodiversity and make natural resource management services more effective
- Carry out environmental education
- Secure implementation from multilateral environment agreements in District Level Oecusse

This office has only four public servants (one female), which reflects the absence of many programs in Oecusse district. The Environment Office Oecusse only coordinates program activities which are implemented from the national head office in Dili. This office also does not have the authority to make any plans, or add programs according to needs of the District.

### Social Services

The Social Services Office works under the National Directorate of Social Services under the Ministry of Social Solidarity in Dili. It is headed by a District Director and there are 22 public servants comprising three females and 19 males. The director informed that there is a need for nine additional public servants but there appear to be no plans to fill this gap. Moreover, the organogram is not yet fixed, and the centralized planning system continues. However, the office will prepare its own Annual Action Plan in 2014. A new office building is also under construction as the current one cannot accommodate staff and the increasing workload.

### Culture and heritage

There is no specialised institution for heritage and culture in Oecusse District. Work connected to cultural development is carried out by Department of Culture in District Education Services. Information obtained during field work reveals that the National Directorate of Tourism has plan to establish their office in Oecusse to work in connection with tourism, art and culture starting from 2014.

#### IV. THE 5R STRATEGIC FRAMEWORK: ROLES, RULES, RESOURCES, RISKS AND RESULTS

Establishment of an economic zone encompasses a vast array of issues, opportunities and risks. The complexity, depth and scale of challenges necessitate adopting a strategic approach anchored in the overall vision. As is evident from this situation analysis, the prospect of the Oecusse ZEESM transforming lives and creating economic opportunities has raised stakeholder expectations. However, unless smartly managed, the push and pulls of competing interests, multiplicity of perspectives and overlapping of mandates can pose serious risks for implementation. It is therefore imperative that the ZEESM initiative achieve clarity in its institutional and regulatory framework, ensure alignment of public expectations with policy objectives and to develop a clear roadmap for implementation.

Although the Oecusse ZEESM vision proposes a new model for the economic zone—one where economic growth and social development and social inclusion aspects are targeted simultaneously—it is also important that the Oecusse ZEESM design, development and implementation benefit from the experience of other countries on issues that are common to all economic zones. In particular, an awareness of the many risks attendant to the process of developing an economic zone and their mitigating strategies is critical for the Oecusse ZEESM. It is not within the scope of this report to include a risk analysis, but this cautionary note is made for future work on the Oecusse ZEESM. In addition, beyond the findings from the field, we have attempted to identify points worth consideration (Box 7), intended as a point of reference for future analysis.

##### BOX 7: Points for Consideration for Oecusse ZEESM Development

###### Economic Development

1. Integration with rest of Timor-Leste? Benefit spillovers for rest of Timor-Leste?
2. Integration with the regional and global economy and development of efficient value chains? Serving as a regional hub.
3. Measures for ensuring competitiveness?
4. Ensuring ease of doing business: mechanisms, instruments, process engineering

###### Governance and Institutional Capacities

1. Legal status of the Oecusse ZEESM? It's link with the Oecusse special administrative and transitional governance arrangements?
2. Administrative, political and fiscal autonomy? To what extent and in what form?
3. Labor mobility? Facilitating business to attract, retain best talent
4. Political and administrative accountability for results: mechanisms and instruments?
5. Ensuring sustainability: How? Risk analysis and mitigation measures?
6. Corporate Governance: institutional structure, standards, oversight.

###### Financing

1. Incentives to attract private sector? Measures to avoid 'race to the bottom'?
2. Financial infrastructure: banking, primary and secondary markets

###### Human Resources and Social Development

1. Strategies for matching the need for quality human resources with market expectations?
2. Making social protection programs run astride economic development ones? How? Who bears the costs?
3. Business role in community? Embracing Corporate Social Responsibility?

###### Management

1. Prioritisation, phasing, sequencing of actions
2. Management models: public, private or hybrid—pros and cons; clarity in division of roles and responsibilities
3. Performance benchmarks
4. Avoiding conflict of interest: ZEESM managers vs. ZEESM oversight mechanisms

###### Key Challenges

1. Keeping people and communities at the forefront of design and implementation
2. Designing for sustainability of the SEZ, including political sustainability
3. Confidence building amongst private sector—local, regional and international
4. Attracting and effectively utilising existing human resources to perform better
5. Contract enforcement, robust dispute resolution mechanisms
6. Land titles, internal displacement, land pricing, land zoning
7. Clarity in positioning, identification of a niche: what do we offer that others don't? What do we propose to do better and how?
8. Marketing of the SEZ
9. Innovations: in services, procedures, delivery, financing
10. Designing appropriate incentives frameworks: Policy, fiscal, financial, managerial

Based on the findings of this situation analysis, mindful of international best practice and with an eye on some of the points listed in Box 7, we propose a set of recommendations under what we term as the **5R Strategic Approach: Roles—Rules—Resources—Results—Risks**.

## ROLES

There are more than 3,500 special economic zones in 130 countries<sup>24</sup>. Yet, a considerable number of them fail to achieve the objectives for which they were set up, in large part due to the lack of clarity in the institutional frameworks and distribution of roles and responsibilities. In the case of the Oecusse ZEESM, there is a firm political foundation to build these roles and frameworks: the Constitution accords a special administrative and economic status to the enclave; there is authorisation from the Council of Ministers to establish ZEESM and for Dr. Mari Alkatiri to lead the process; and there is continued political engagement on the best possible governance arrangements for the enclave as a whole.

It is important to stress the political leadership aspect. Some of the best examples of special economic zones, including the Mauritius Export Processing Zone whose establishment benefited from the political sagacity of Prime Minister Seewoosagur Ramgoolam and Foreign Minister Gaëtan Duval and the Suzhou China-Singapore Industrial Park in which the Governments from both sides were deeply involved in the process and China even nominated a Vice Premier on the Board, it is evident that having political commitment to back up economically viability is a strong factor in success<sup>25</sup>. More recently, the efforts of the Punjab Chief Minister Shahbaz Sharif in Pakistan have resulted in the establishment of the Punjab-China Garments Industrial Zone; Mr. Sharif even heads the Punjab Special Economic Zone Board<sup>26</sup>. However, this political leadership has to be evident much before parties sit around the negotiating table. Indeed, the development of a special economic zone policy—which creates the framework for political vision to be articulated—is a key role in the political domain. Having a clear, formal policy provides direction and facilitates decision making, as has happened in China.

Similarly, it is important to identify the institutional and regulatory arrangements for the Oecusse ZEESM. The roles for development, operating/managing, promoting and for regulation need to be clearly defined and assigned. There are several ways in which this can be done, from the traditional models where the public sector develops, operates and regulates the zones to privately owned and managed zones, to hybrid models (Box 8). The choice of the model is determined by the policy objectives, institutional capacity within the public sector and depth of the State's fiscal space. Although several countries—particularly in South East Asia and the Middle East—continue to have public sector zones, a marked global trend in special economic zones is towards private development and management of zones. In fact, 62% of special economic zones in the world are now in the private domain<sup>27</sup>. Hybrid, Private Partnerships (PPP) models of zone development are also increasingly popular, particularly in Latin America and some Central and Eastern European countries. The reasons for this trend are rooted in the private zones' organisational capabilities, access to financial resources and adherence to clear business models. As a

<sup>24</sup> Boyenge, J.P.S, ILO Database on Export Processing Zones, ILO, 2007

<sup>25</sup> Farole, T and Akinci, G. editors, Special Economic Zones: Progress, Emerging Challenges and Future Directions, World Bank, 2011

<sup>26</sup> Punjab SEZ Board Constituted, Daily Dawn, 28 January 2013

<sup>27</sup> Special Economic Zones: Performance, Lessons Learned and Implications for Zone Development, FIAS, 2008

result, they are more successful in meeting the performance benchmarks for the zone (e.g. job creation, higher exports, attracting FDI)<sup>28</sup>.

Another strong argument in favour of private zones is that they eliminate the potential conflict of interest in cases where the public sector develops, operates and then monitors itself. Government's that are not comfortable with private zones mitigate risks of conflict of interest through the hybrid model or the establishment of corporate entities with complete autonomy. Whichever model is adopted, it is imperative that there be complete clarity in the division of roles and responsibilities, anchored in the policy framework and enunciated under specific legislation.

BOX 8			
Zone Administrative and Regulatory Bodies (selected countries)			
Country, Body	Type of Body	Key Functions	Relationship with Private Zones
<i>Traditional Structures</i>			
Bangladesh Export Processing Zone Authority	Autonomous government authority	<ul style="list-style-type: none"> <li>■ Zone development and operation</li> <li>■ Regulation of zone activity</li> </ul>	No private zones
Pakistan Export Processing Zone Authority	Autonomous government authority	<ul style="list-style-type: none"> <li>■ Zone development and operation</li> <li>■ Regulation of zone activity</li> </ul>	No private zones
Jordan Free Zones Corporation	Autonomous government corporation	<ul style="list-style-type: none"> <li>■ Zone development and operation</li> <li>■ Regulation of zone activity</li> </ul>	No private industrial estate-style free zones
Shannon Development, Ireland	Autonomous government corporation	<ul style="list-style-type: none"> <li>■ Zone development and operation</li> <li>■ Regulation of zone activity</li> </ul>	No private zones
<i>New Structures</i>			
National Free Zones Council, Dominican Republic	Autonomous government authority	<ul style="list-style-type: none"> <li>■ Zone regulation, planning</li> <li>■ Zone promotion</li> </ul>	Regulator
Philippine Economic Zone Authority	Autonomous government corporation	<ul style="list-style-type: none"> <li>■ Zone regulation, planning</li> <li>■ Zone promotion</li> </ul>	Regulator; operates original, four public zones
Industrial Estate Authority of Thailand	Autonomous government authority	<ul style="list-style-type: none"> <li>■ Zone regulation, planning</li> <li>■ Zone promotion</li> </ul>	Regulator; operates a few public zones
Free Zones Corporation, Costa Rica	Autonomous government corporation	<ul style="list-style-type: none"> <li>■ Zone regulation, planning</li> <li>■ Zone promotion</li> </ul>	Regulator
Free Zones, Board, Ghana	Autonomous government authority	<ul style="list-style-type: none"> <li>■ Zone regulation, planning</li> <li>■ Zone promotion</li> </ul>	Regulator
Kenya Export Processing Zones Authority	Autonomous government authority	<ul style="list-style-type: none"> <li>■ Zone regulation, planning</li> <li>■ Zone promotion</li> </ul>	Regulator; operates two public zones

Source: Special Economic Zones: Performance, Lessons Learned & Implications for Zone Development, FIAS, 2008

In the case of the Oecusse ZEESM, there are several compelling arguments that favour either a private zone development model or a hybrid one. As is evident from the situation analysis, the institutional architecture and the capacities are at a nascent stage of development. The level of competence, sophistication and state of readiness required for all zone related aspects to be within the public sector simply does not exist at this point; it is also arguable—in the wake of evidence clearly indicating the efficiency and success of private zones—whether this is desirable in the first place. This is not to suggest that opting for the private or hybrid models will remove the need for institutional capacity building---

<sup>28</sup> Ibid

because it doesn't—but the scale of such capacity building will be reduced and will allow for targeted investments such as improving regulatory design, quality of incentives, policy analysis and compliance levels. Moreover, in opting for a corporatized governance model, firewalling between the corporate entity and its linkage with the central government is needed to ensure that the autonomy granted can actually be practiced. In Tanzania, for example, the Export Processing Zone Authority (EPZA) is an independent agency under a law, but operates under the administrative aegis of the Ministry of Industry, Trade and Marketing; this effectively places several restrictions on the ability of the EPZA to exercise powers granted under law<sup>29</sup>.

In terms of Roles, we therefore propose the following recommendations:

- a. **Achieve clarity on the nature and extent of autonomy proposed for Oecusse** and to link it with the managerial and institutional needs of the economic zone. The structure, functions and powers of the governance arrangements in Oecusse—both transitional and permanent—will have a bearing on how the economic zone shapes up. There is therefore a need to: (i) actively pursue the promulgation of the Decree Law for the establishment of the Special Economic Zone in Oecusse and the draft law on special administrative and economic governance regime for Oecusse that leads to, the setting up of an Oecusse Regional Administration; and (ii) as an advance action, develop a policy options paper on the nature, extent and content of decentralisation within Oecusse in the context of the expected devolved governance regime.
- b. **Develop the Oecusse ZEESM governance model** to help determine the roles to be assigned to public, private and civil society sectors, including the institutional vehicle for development, management and regulation of the zone and the coordination mechanisms within Oecusse and between Oecusse and the central government.
- c. **Develop a proposal to Establish a Citizens' Advisory & Information Centre** to guide, advise, facilitate and inform citizens on a wide range of issues, including the establishment of the new regional administration; the economic zone; land, environmental and Special Economic Zones policies and laws; and opportunities for investment and small scale business.

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<sup>29</sup>Farole, T. and Kweka, J., Institutional Best Practices for Economic Zones: An Application to Tanzania, World Bank, 2011

## RULES

The need for a Special Economic Zones Policy is self-evident. In the absence of a policy framework that clearly establishes the principles, vision, objectives and approaches, there will likely be confusion, subjective interpretation of how the Zone should be established and for what purposes and lack of clarity may ensure on best ways forward. In addition, operationalisation of the principles enunciated under such a policy would require enabling legislation, and for an inter-related regime of rules, regulations and incentives.

There are several considerations for the framing of this regime. One, evidence has shown that rules that favour static gains (increase in employment and FDI) tend to be restrictive in terms of economic benefits, if not outright self-defeating. The case of the Dominican Republic is often quoted as an example of a country which experienced short term gains in terms of employment and investments, but which eventually lost its competitiveness because the rules of the game or incentives (such as low wages, tax breaks etc.) were inadequate for obtaining long term, dynamic gains (transformation of economy through increased openness, diversification and establishment of backward and forward linkages with the overall economy)<sup>30</sup>.

Two, the incentives framework needs to be competitive and linked to the strategic objectives of the Oecusse ZEESM. There is a variety of incentives that can be offered and different countries offer incentives that are aligned with their zone objectives (Box 10), but these incentives need to have a few important characteristics: (i) be geared towards transformational economic effects i.e. they need to be long-term oriented; (ii) they should not be viewed as substitutes for

### BOX 10

#### Incentives Offered in Bangladesh EPZs

##### Fiscal incentives

- 10-year tax holiday; additional 5 years at 50 percent
- Duty-free import and export of raw materials and finished goods
- Duty-free import of construction materials, equipment, office machinery, spare parts
- Relief from double taxation
- Exemption from dividend tax
- Duty-free import of two to three vehicles for use in EPZ
- Expatriates exempted from income tax for three years
- Accelerated depreciation allowance on machinery or plant
- Remittance of royalty, technical, and consultancy fees allowed

##### Nonfiscal incentives

- 100% foreign ownership permissible
- No ceiling on foreign or local investment
- Full repatriation of capital and dividend
- Foreign currency loans available directly from abroad
- Permission to hold nonresident foreign currency deposit account
- EPZs enjoy most-favored nation (MFN) status
- Operation of foreign currency account allowed for all companies not 100% locally owned

Source: Special Economic Zones: Performance, Lessons Learned & Implications for Zone Development, FIAS, 2008

<sup>30</sup>Farole, T and Akinci, G. editors, Special Economic Zones: Progress, Emerging Challenges and Future Directions, World Bank, 2011

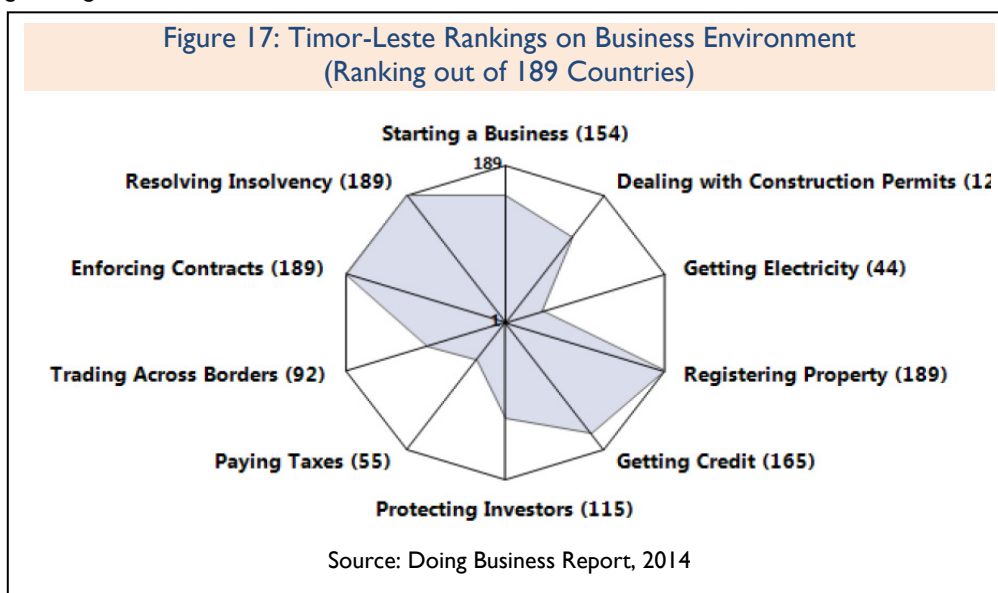


policy reforms; (iii) they need to foster innovation, and human development; and (iv) they need to be a mix of fiscal, regulatory and managerial rather than just fiscal. The typical use of fiscal incentives such as tax holidays have proven to be ineffective in the long run, as they mask loss in competitiveness, tend to be used to side step structural reform, and can spur a 'race to the bottom' with zones offering fiscal incentives—such as extensions in tax breaks—that they cannot afford.

Three, given its centrality to zone development, there is a need to have a Land Policy, which provides a framework for land use, planning, zoning and valuation. Subsequently, there would be a need for legislation to give this policy the wheels. There are two draft land laws under discussion in parliament, but the Oecusse ZEESM may be better served with its own specific policy and law. The situation analysis has clearly indicated that land titles are a major issue and unless this is addressed through appropriate policy and legislative frameworks, it could derail the implementation process.

Four, ease of doing business is a major enabling factor for zone development. While 'one stop shops' are often proposed as a way to facilitate businesses, they are not always easy to implement. Timor-Leste ranks poorly on the Business Environment factors (Figure 17). Particularly in relation to enforcing contracts, registration of property and investor protection and getting credit, it ranks either the lowest, or in the lowest cluster. This

requires an assessment of the legal, financial and procedural issues that create an unattractive business environment. These rankings were reinforced in the situation analysis, where farmers complained of access to



credit, agricultural extension services and business support systems. Clearly, a 'one stop shop' approach will not be sufficient and the fundamental issues including legislation, practices and procedures will need to be assessed.

Five, in keeping with the ethos of the Oecusse ZEESM, there is a need to ensure that the rules, whether in the form of legislative, regulatory or incentives frameworks need to be people-centred. Citizens and communities need to be active participants and direct beneficiaries, not willing bystanders in the process of zone development and management. This requires developing rules that not only provide economic benefits, but social ones and which enable and facilitate social innovation, social inclusion and social entrepreneurship. The role of business in the community, compliance with international laws and conventions on human rights, climate change and leveraging the power of digital technologies to chart a path of disruptive and transformative development, all need to feature in the Oecusse ZEESM design and institutional arrangements.

Our proposed recommendations for Rules are:

- a. **Develop a Special Economic Zone Policy for Oecusse** which could be a model for a broader, country-wide policy for Timor-Leste. This policy would include *inter alia*: (i) articulation of policy objectives and incentives; (ii) laying down the principles for establishment, investment in and management of special economic zones; (iii) identifying institutional arrangements for approval processes for zone development and for oversight mechanisms; and (iv) outlining the mechanisms for ensuring social inclusion, promoting innovation and protection of investors, citizens, community and labor rights (see Box 9).

Box 9: Sample Policy Frameworks from the MENA Region	
<ul style="list-style-type: none"> <li>• The policy frameworks in several MENA countries provide for equal treatment of foreign and domestic investors, increased linkages with the local economy and national certificates of origin.</li> <li>• Egypt, Iraq, Kuwait, Palestinian National Authority, UAE, Syria and Yemen all permit 100% foreign ownership in their FEZs.</li> <li>• Egypt's SEZ does not impose a minimum export requirement linked to customs and tax incentives.</li> <li>• UAE and Jordan do not apply minimum export requirement in their zones.</li> </ul>	
Source: Towards Best Practice Guidelines for the Development of Economic Zones, OECD, 2009	

- b. **Develop an incentives framework after a comparator analysis** to cover legislative, institutional, fiscal, financial and managerial frameworks. This framework would be linked to the strategic objectives of the Oecusse ZEESM and form part of the competitiveness analysis needed for the zone development.
- c. **Develop a Land Policy and a Land Administration Law(s) for Oecusse** which would include land acquisition, land valuation, land zoning principles and land management.
- d. **Carry out an institutional review of the business environment**, including of *legislation* on investment, taxation, commerce, trade, labour, dispute resolution; *procedures* for obtaining licences, land registration, obtaining credit, visas, work permits etc.; *process* redundancies that lead to delays; *incentives and constraints* vis a vis foreign investment and knowledge and technology transfers; *measures for strengthening* transparency, access to information, anti-corruption, enforcement of contracts, and dispute resolution.
- e. **Develop a policy note on Shared Value in Oecusse ZEESM**, to identify the ways in which the social market economy can be structured to ensure that the Oecusse ZEESM delivers social, environmental and economic dividends to the community. In particular, this note could lay the foundations for a corporate responsibility framework for investors in the zone; suggest ways in which citizens in general and specially those whose land is acquired, can become shareholders in the profits issuing from the Oecusse ZEESM; and indicate how environmental benefits could accrue to the public.
- f. **Develop social safeguards standards and an environmental protection policy** to ensure that the infrastructure development that takes place does not come at the cost of loss of biodiversity, cause environmental damage or lead to denial of citizens' rights to rehabilitation, relocation and re-skilling for future employability. Protection of vulnerable segments including women and elderly would be accorded special attention. These standards and policy would apply to infrastructure development both within the economic zone, as well as in the rest of Oecusse.

## RESOURCES

The establishment of a special economic zone entails costs as well as benefits (Box 11). The use of special economic zones as a policy instrument therefore needs to be justified

### BOX 11

#### Government Revenues and Costs from Zone Development

##### Revenues

- Corporate income tax (if no tax holiday)
- Personal income tax on direct and indirect employment
- Permit fees and service charges
- Rental or sales fees (from sale or rental of public land to developers)
- Import duties and taxes on zone products sold to the domestic customs territory
- Concession fees for other facilities (port, power plant, and so on), linked to zone development

##### Costs

- Wage bill of government workers needed to regulate zone activity or operate the zone and other operating expenditures
- Public sector capital outlays for external infrastructure (and internal infrastructure and facilities in the case of a publicly developed zone)
- Import duties and charges lost from smuggling
- Taxes forgone from enterprises relocating from the domestic customs territory to the zone
- Subsidies

Source: Special Economic Zones: Performance, Lessons Learned & Implications for Zone Development. FIAS. 2008

economically and commercially, not just politically. There are substantial costs associated with setting up of the Oecusse ZEESM, as enumerated earlier in this report. Depending on which model of zone development is chosen, the costs would vary substantially. For example, in an exclusively public sector model, the wage bills and investments in capacity building, as well as costs arising out of rent-seeking and leakages, will likely be high. In Egypt, which employs this model, the economic zone

authority ended up with 4,000 staff and the salary costs were therefore a huge burden. Given the stage of civil service development and its allied costs, it may not be appropriate to opt for an exclusively public sector model. Nevertheless, as has been noted earlier, the hybrid/PPP model also has costs of capacity building associated with it, as does the private sector model, although in the latter case, the costs will be lower since it is only the regulatory aspects which would need to be built.

There are other, indirect costs, such as the cost of infrastructure development *outside* the zone, as well as costs of investing in social capital which the Oecusse administration would have to bear, either on a cost-sharing basis with the central government or through PPPs.

Although the Government has committed to bear a third of costs of development of the Oecusse ZEESM, at this stage it is not clear how that money will be sourced. Options include using the Petroleum Fund, approaching the International Finance Institutions or tapping the regional and international markets. Each of these has their pros and cons and an informed decision needs to be made on this issue.

Equally importantly, development of quality human resources is a pre-requisite from a long term perspective. The situational analysis repeatedly highlights the need to invest in raising people's capacities, in addition to that of the civil servants. Given that Oecusse is a subsistence level agrarian economy, the acquisition of land—practically the only asset the poor have—poses risks for livelihoods, unless a pro-active re-skilling process is initiated, even prior to or at least in parallel with the infrastructure development. The traditional way would be to set up technical and vocational centres, and while this has merits, there may be room for more innovative solutions that seek to transform the farming community into skilled workers, through use of technology and support systems (language training, IT skills etc.). Experience shows that investment in human resource development paves the way for economic zones to move out of low-wage manufacturing environments to more

high value, service oriented ones. This was the case in Malaysia, which has successfully migrated its zones program from assembly line systems to IT, Business Process Outsourcing ventures.

In relation to Resources, therefore, our recommendations are:

- a. **Develop a strategy for creating a sustainable funding model for the Oecusse ZEESM**  
The strategy would examine all options including exploring the floatation of an *Oecusse Bond* in the international capital market with a sovereign guarantee by the central government; possibility of tapping into the *sovereign wealth funds*, including Timore-Leste's own Petroleum Fund; identify potential areas for *public private partnerships*, joint ventures and *co-production* and *co-delivery* of services with the private and civil society sectors.
- b. **Develop a proposal for establishing an Oecusse Talent Management Agency** as the lead agency to invest in and raise the quality of human resources in Oecusse through skills building, vocational and management training, aligning it with potential industrial and technology investments in the ZEESM and their needs for specific skills and competencies. This agency could be established under different models (public, private or PPP) and the proposal would examine all options. It would also serve as an employment registry, placement and job centre.
- c. **Develop a proposal for establishing a (i)Social Development Fund** to improve health, education, social protection services, facilities and outcomes; (ii) an **Innovation Fund** to support policy and delivery innovations in the social sectors; and a (iii) a **Social Enterprise & Economic Development (SEED) Fund** to serve as a Venture Capital vehicle to promote, facilitate and finance social entrepreneurship start-ups to build an ecosystem of supply and value chains linked to the Oecusse ZEESM.
- d. **Establish an Oecusse Change Management Fund** to facilitate and support the start-up and preparatory activities for both the Oecusse Regional Administration, as well as the Oecusse ZEESM. This Fund can be capitalised initially by the Government of the Democratic Republic of Timor-Leste, using a part of the allocation of US\$22.5 million included in the State Budget FY2014-2015 for the Oecusse ZEESM. It is proposed that the Fund operate as a multi-donor Trust fund, with the UNDP serving as the Fund Manager. Contributions from other development partners, philanthropic organisations and the private sector can be mobilised and added to the Fund, which would have the Oecusse Regional Administration (and till its establishment, the Oecusse ZEESM Office) providing leadership in terms of policy and strategy. A multi-stakeholder Advisory Board would assist in informed decision making. As part of this arrangement, a Technical Advisory Services and Knowledge (TASK) Facility would be created, with a roster of qualified individual consultants and firms, who can be quickly mobilized to respond to immediate and evolving needs for implementation, civil works, procurement and environmental evaluations as well as for governance, transport, finance and social sectors.

## RISKS

As has been highlighted in several other sections of this report, there are a number of risks associated with the establishment of a zone. Typically, zones that have failed or been less successful have been the ones that have<sup>31</sup>:

- Uncompetitive incentives
- Poor site locations which involve very heavy infrastructure development costs
- Poor policy frameworks that rely on tax holidays and poor labor practices
- Poor zone development practices
- Subsidised rent
- Cumbersome procedures for registration of businesses, visas, work permits
- Either inadequate administrative structures or too many of them
- Weak coordination between private sector and government or within the government.

There are other risks as well as shown in the small sample in Table 13. Land ownership, titles and internal displacement of land owners feature as a prominent risk. In the Polepally Special Economic Zone in India for example, controversies surrounded the land acquisition process, the compensation offered was deemed inadequate, the economic impact on landowners were considered catastrophic in terms of loss of farmland and livestock and the environmental damage was considerable in the form of for example, pollution of the water sources<sup>32</sup>. Institutional risks follow closely on the heels of land related ones, ranging from the absence of policy frameworks (Ethiopia) to rigidities in terms of local employment creation and minimum investment requirements (Senegal) to prevention of private zone development (Jordan).

Table 13: Examples of Risks Associated with Special Economic Zones	
Special Economic Zone	Nature of Risk
Polepally SEZ, India	<i>Land related:</i> displacement of farmers; inadequate compensation; absence of land titles
Export Processing Zone, Tanzania	<i>Institutional structure related:</i> EPZA under line Ministry and hence unable to exercise authority, leading to poor and delayed decision making
Katunayke Export Processing Zone, Sri Lanka	<i>Spatial planning related:</i> poorly designed, causing congestion and leading to social unrest
San Bartolo Free Zone, El Salvador	<i>Spatial planning related:</i> poor site location, leading to subsidies given to developers and resulting in cost escalation
Free Zones Corporation, Jordan	<i>Land related:</i> zone firms cannot own land, hold title to leasehold improvements and thus use land as collateral
Eastern Industrial Zone, Ethiopia	<i>Institutional structure related:</i> lack of a well defined policy, confusion over the roles of various government agencies on zone development, management and regulation
Sources: Special Economic Zones: Performance, Lessons Learned and Implications for Zone Development, FIAS, 2008; The Impact of Special Economic Zones in India: Case of Polepally SEZ, The International Land Coalition, 2011; Securing Economic Security and Competitiveness, Using Special Economic Zones for Job Creation in MENA, Deloitte, 2012 Farole, T and Akinci, G. editors, Special Economic Zones: Progress, Emerging Challenges and Future Directions, World Bank, 2011	

<sup>31</sup> Adapted from Farole, T and Akinci, G. editors, Special Economic Zones: Progress, Emerging Challenges and Future Directions, World Bank, 2011

<sup>32</sup> The Impact of Special Economic Zones in India: Case of Polepally SEZ, The International Land Coalition, 2011

As is clear from the situation analysis, the Oecusse ZEESM faces several of these risks and has others that are specific to Oecusse. In particular, the issue of land titles, the weak business environment and impact on agriculture and the environment seem daunting challenges to overcome in the short term. Furthermore, since the institutional arrangement for (i) governing Oecusse as a region; and (ii) for ZEESM development, management and regulation are still works-in-progress, there are several question marks still hanging over the initiative. An important consideration in relation to the institutional aspects is the inter-governmental relations between Oecusse and the central government, which also would need to be carefully designed and managed. It is also important to recognise the need for not only defining the competitive advantage that the Oecusse ZEESM offers, but to *stay* competitive by monitoring competitors, analysing market trends to identify new business opportunities and by consistently investing in people to upgrade the quality of human resources.

A risk analysis has been carried out and included under the section on phasing. However, since the macro, micro and meso environments under which the ZEESM initiative is being undertaken will be evolving, this risk analysis needs to be reviewed and updated periodically.

**Our recommendation on Risks is:**

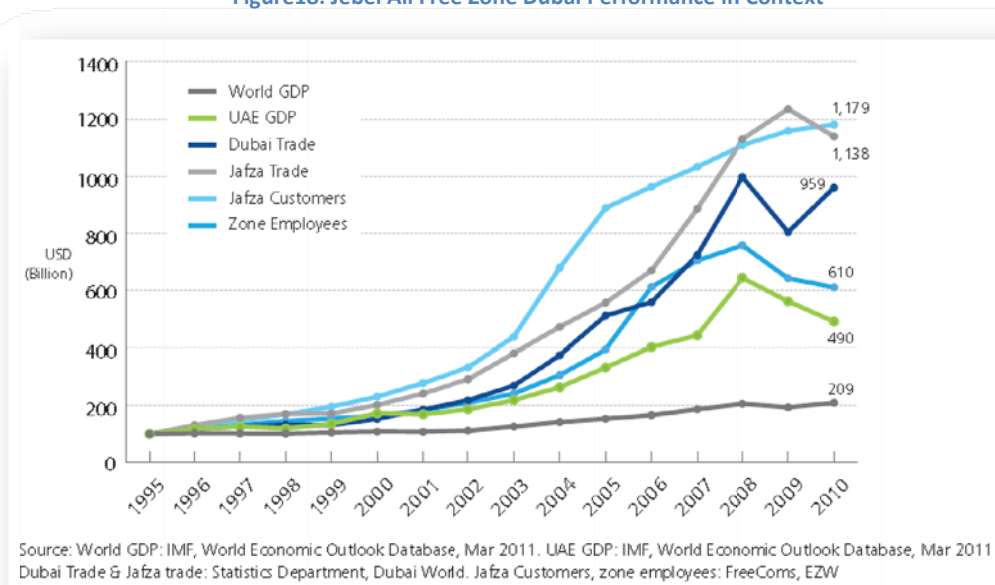
**Carry out regular risk analysis and review effectiveness of mitigation strategies** covering political-economy; economic; social; fiscal; environmental and institutional aspects. This would help to clearly identify the key risks associated with zone development, management, regulation and competitiveness and develop appropriate risk mitigation strategies.

## RESULTS

The success of the Oecusse ZEESM initiative is dependent on multiple factors and multiple stakeholders. Clarity in the policy and institutional frameworks and determining strategic goals and targets are pre-requisites, but consistent communication with the many stakeholders—both within and outside the government and in particular the people of Oecusse—are equally important. As we have noted earlier, the premise of the Oecusse ZEESM addresses a major criticism of economic zones, namely economic growth that is exclusionary and which erodes traditions, culture and heritage. As noted in the situation analysis on culture and heritage, issues of ethnicity and customs are important to Oecussians and thus need to be respected. The success of the Oecusse ZEESM would also be a function of the extent of cooperation, commitment and complementarities offered by the central government line ministries. This is not only because the line ministries would have a key role in laying the foundations for the zone through execution of the State Budget and plans, but also because of the intended spillovers of benefits from the Oecusse zone. Backward and forward linkages—within Timor-Leste and with the regional and international markets—are central to the ability of the Oecusse ZEESM to provide a model for structural changes in Timor-Leste. Close, regular engagement with the central line ministries through a formal forum is therefore to be encouraged.

Meeting multiple stakeholder expectations and pursuing a variety of goals is possible, despite the considerable challenges confronting the Oecusse ZEESM. Adopting a sequential, conventional approach towards zone development, management and regulation may not be the best way forward. This is not to suggest a reactive, respond-as-you-go approach or one which seeks to achieve everything in one go, but to propose a dynamic, collaborative operational model, that makes it possible to work concurrently on the issues highlighted in this situation analysis. Institutional innovation, flexibility and responsiveness are key attributes in this respect. There are several examples of zones that have managed to achieve this, including the Jebel Ali Free Zone in Dubai (Figure 18), which pursued diverse goals that enabled it to grow from an export zone to one which served as a catalyst for the Dubai Media City and the Dubai Metals and Commodities Centre<sup>33</sup>.

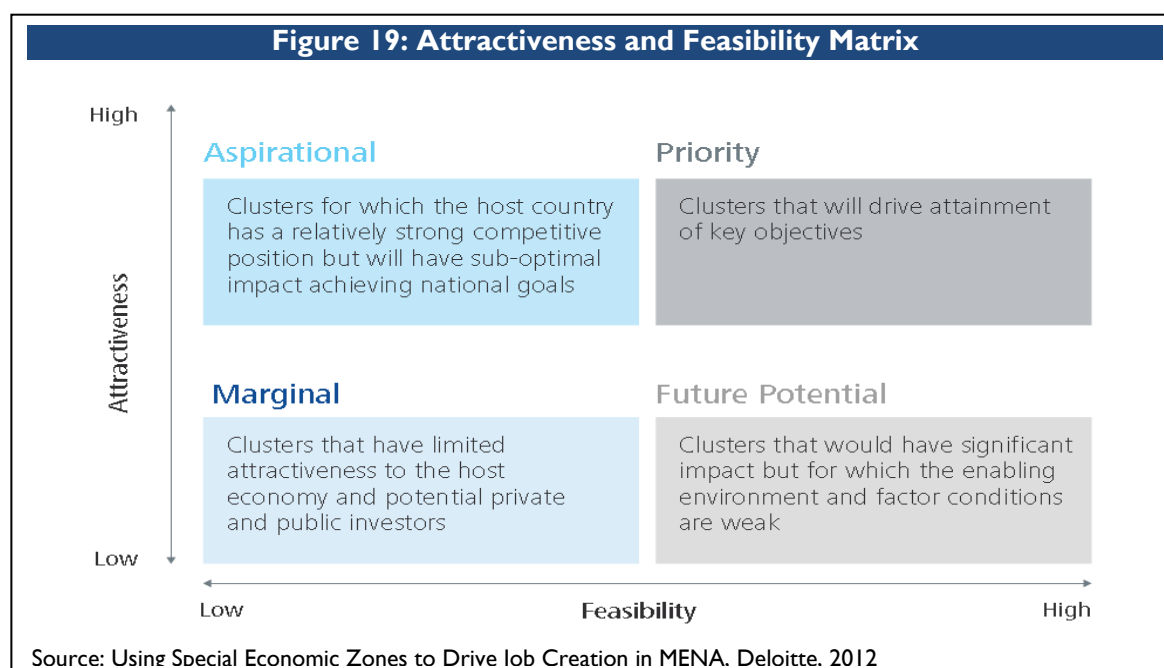
Figure18: Jebel Ali Free Zone Dubai Performance in Context



<sup>33</sup>Using Special Economic Zones to Drive Job Creation in MENA, Deloitte, 2012



In addition to clarity of goals and management of stakeholder relationships, the Oecusse ZEESM is more likely to succeed if there is a strategic prioritisation of (i) industries to target for foreign investment; (ii) partnerships to foster for human resource development and knowledge transfers; (iii) and a results-based framework that allows for effective performance monitoring. This would require developing a clear business case for the Oecusse ZEESM and then marketing that case to potential investors and partners regionally and internationally. To monitor progress, a set of key indicators would be needed, as well as a smart information system that aids analysis. A number of factors need to be considered while developing the business case, ranging from the global economic climate to the regional competition to the prospects of different industries and their fit with the Oecusse ZEESM objectives. A useful tool for prioritising industries is the Attractiveness-Feasibility Matrix (Figure 19), which can help zero in on the industries that offer greater economic prospects and thus allow for industry-specific targeted marketing strategies.



Our recommendations for Results are as follows:

- a. **Develop a strong business case for the Oecusse ZEESM** which sets clear goals, highlights the competitive advantage, identifies the incentives package and sets performance benchmarks and oversight mechanisms. This would help ensure that a results and performance orientation is embedded in the ZEESM operational model. A number of feasibility studies and analysis of economic potential need to be carried out to clarify the opportunities suggest a positioning of the ZEESM and determine the appropriate mix of incentives.
- b. **Develop a marketing strategy** based on the business case, to present the comparative and competitive advantage offered by the Oecusse ZEESM and to position the zone in ways which differentiates it from competitors.
- c. **Develop a communication and advocacy strategy** to enable continuous and coherent engagement with the various stakeholders, targeting in particular, the people of Oecusse. This strategy would need to be layered in terms of its content,



striving for coherence in the messages and targeted in terms of the needs of different audiences.

- d. **Create a multi-stakeholder forum—the Change Ambassadors**—for coordination and information sharing on plans, progress and problems related to the ZEESM establishment. This forum would include key ministries as well as representatives from the private sector and civil society. Draft composition and Terms of Reference are at Appendix III.
- e. **Develop a phased action plan for implementation**, integrating the various clusters of activities, using a results-based framework. This plan would need to be periodically reviewed and adjusted in the face of evolving macro, micro and meso environments.

### CELEBRATING 500 YEARS OF THE CATHOLIC CHURCH IN TIMOR-LESTE

Oecusse was the landing place of the Christian Missionaries in Timor-Leste. To mark 500 years of their arrival, special festivities are planned in Oecusse in the last quarter of 2015. The responsibilities for coordinating the events, which may include a visit by the Pope, have been entrusted to the Oecusse ZEESM Office.

A range of different cultural, religious and tourism activities need to be organised, but the foremost challenge is regarding the infrastructure development required to be undertaken to ready Oecusse for the celebrations. Given the current state of disrepair of almost all the transport and communication, as well as the social sector infrastructure, this is no mean task. Plans for infrastructure development include:

- i. A highway from the border entry point in Oecusse to the Lifau monument, the point of landing of the Missionaries.
- ii. Rehabilitating the airfield.
- iii. Construction of a hotel.
- iv. Establishment of tourist information, culture and heritage centres.
- v. Construction of a new Lifau Monument.
- vi. Establishing a medical emergency facility.
- vii. Upgrading the electricity generation and distribution system.

In addition, a tourism promotion plan, cultural activities and religious events also need to be pulled together and special negotiations undertaken with the Indonesian government for less cumbersome immigration arrangements for entry via land route. The Oecusse ZEESM Office has been busy coordinating with the various line ministries involved, this work but in order to organise the planning and implementation, it is proposed to establish a Ministerial Forum and an Operations Management Team (Appendix V). These would facilitate inter-ministerial coordination and allow for senior political oversight of an event that could build Timor-Leste's—and Oecusse's—image.

In addition, to kick-start implementation and to allow the Oecusse ZEESM Office to support the line ministries, a Technical Advisory and Knowledge (TASK) Facility is proposed—as already indicated in the Resources section—which would quickly and flexibly mobilise technical expertise for immediate implementation, procurement, technical review of engineering and civil works etc. This TASK Facility would be funded through the ZEESM Office's allocation under the State Budget FY2014, and resources from development partners.

The Phased Action Plan presented in this report also includes a plan for the 500 Year Celebrations.

## RECOMMENDATIONS FOR CONSIDERATION OF THE LINE MINISTRIES

Based on the findings of the situation analysis, the following phased recommendations (Table 14) are made for the consideration of line ministries. Responsibility for a number of these activities and recommendations would be assumed by the Oecusse Regional Administration once it is established and the phasing is indicative and would need to be reviewed, as would the agency responsibilities. These recommendations nevertheless provide a useful reference point for future investments in social capital, governance and economic sectors.

Table 14: Recommendations for Consideration of Line Ministries				
Recommendation	Relevant Ministry	Phasing		
		Phase I (2014- 2015)	Phase II (2016-2017)	Phase III (2018-2019)
Infrastructure				
<ul style="list-style-type: none"><li>• Establish laboratories and make quality testing and other technical equipment available to the Oecusse Public Works Office.</li><li>• Create a composite Schedule of Rates for all construction materials according to gradation of quality and sources (local and international).</li><li>• Construct bridges and roads in isolated and remote areas for improving connectivity in Aldeia Lamasi, Leolbatan and Teinae.</li></ul>	Ministry of Public Works			
Economic Development				
Support the agriculture sector by ensuring timely availability of rice seed, agriculture inputs and investing in the irrigation system, including a pilot model of <i>check dam</i> and <i>water harvest</i> ; and rehabilitation of dam on Tono River	Ministry of Agriculture			
Assist the Cooperatives in accessing capital and capacity building				
Develop plant and animal quarantine facilities at Oecusse to facilitate compliance with international laws and thus enable exports				
Support the livestock sector by ensuring adequate supply of insecticides, pesticides, medicines and vaccines based on animal population				
Improve animal husbandry systems by moving from natural to artificial insemination and assisting with animal feed				
Build facilities such as veterinary centres in each sub-district and an animal feed production centre at the district level				
Increase the number of agriculture extension staff and build their capacity				
Improve the institutional capacity for collection and dissemination of agriculture, livestock statistical data and information. As a step towards this, establish a Research Cell in the Oecusse Agriculture Office				
Build an animal breeding centre and an abattoir				
Establish agricultural production centres <ul style="list-style-type: none"><li>- Cereals Centre</li><li>- Legumes Centre</li><li>-Horticulture, vegetable and floriculture centre</li></ul>				
Social Capital				
Build a maternity clinic in Health Centre Pante Macassar (Baqui); a Community Health Centre in Sub-District Pante Macassar (Baqui) complete with 24 hour care facilities, storage and sanitation facilities and clean water; a Blood Bank in Oecusse and a medical supplies warehouse in the capital, and 4 health community centres in Baqui, Oesilo, Passabe and Baoknana	Ministry of Health			
Continue promotion of family planning and sex education programs				
Develop institutional capacity by (i) focusing on specialised training for midwives, nursing and paramedic staff; (ii)				

establishing an integrated system for health information and data collection at Oecusse region level; (iii) enhancing powers of Oecusse District Health Services Office in terms of planning and budget execution				
Allocate special funds for scholarships for students and youth in Oecusse	Ministry of Education			
Carry out maintenance of school infrastructure and facilities including sanitation facilities, kitchens for school breakfast program and school furniture				
Produce school materials in Tetum language and continue literacy and equivalency programs for communities in rural and remote areas				
SEPFOPE to accelerate construction of integrated training centres in Oecusse in order to quickly organize employment training for youth	Ministry of Labor			
To determine the size of available workforce, SEPFOPE needs to continue to encourage and facilitate registration of workers and youth from each of the 18 Sucos in Oecusse				
Department of Labour Inspection Oecusse office needs to increase awareness of labour laws and take steps for protection of rights of labour. To achieve this, SEPFOPE staff needs to be provided training in leadership, planning, monitoring and evaluation and IT				
SEPFOPE needs to work together with CDE and National Directorate for Cooperatives, Micro and Small Enterprises to enhance capacity of SMEs				
Develop laws, regulations as well as a strategy for protection and preservation of bio-diversity (rare and exotic flora and fauna, rare animal breeds), cultural heritage (e.g. sacred sites) and natural resources (e.g. Sandalwood) in Oecusse	Ministry of Environment			
Develop a proposal for a “Green City” in Oecusse				
Establish a functional Environment Office in Oecusse and strengthen its coordination with Forestry Services, including on matters related to forest management				
Construct artificial ponds (water harvesting) in 15sucos and 4 Sub-Districts in Oecusse				
Make reforestation program for degraded areas with species of high economical (sandalwood, teak, Mahogany, etc.), and species that are good for land conservation that can also become feed for livestock (Ai turi, coffee etc.)				
Prepare an integrated plan on watershed management, including the establishment of a forum to manage watersheds between Timor-Leste and Indonesia; and a rehabilitation program for watershed management with agro forestry systems				
Draft a law against destruction and theft of social and cultural heritage based on the international convention –1970 UNESCO ‘The Fight against the Illicit Trafficking of Cultural Objects’		Ministry of Culture		
Accelerate development and construction of Cultural Regional Oecusse Centre as mentioned in priority of PEDN vision 2030				
Land and Property				
Establish a land management information system including a land ownership database	DNTPSC			
Resolve border disputes between Indonesia and Timor-Leste in the Nactuba-Nitibe region				
Establish a network of Public Notary offices to facilitate land registration and transfers				
Create an Information Centre for disseminating information on leasing, share holding as well as helping in dispute resolution				
Enable the training and professional organisation of Land Surveyors				
Institutional				
Implement the Decree Law on Pre-Administrative De-concentration	Ministry of State Administration			
Create a formal line of coordination between Ministries and Directorates	Ministry of State Administration			

## PHASING

The complexity and scope of issues that need to be addressed is evident from this situation analysis. It is therefore important to develop a phased action plan that integrates the various components and strives to achieve a coordinated, coherent approach towards implementation.

There are five clusters of distinct, yet inter-related activities for which this phased action plan is required:

Cluster	Nature	Number of Phases	Period	
Cluster 1	Infrastructure Development under the Master Plan for the Oecusse ZEESM	3	Phase I	2014 to 2019
			Phase II	2020 to 2021
			Phase III	2022-2025
Cluster 2	Institutional, Policy, Legal, Fiscal and Social Development Frameworks under the Oecusse Regional Administration	3	Phase I	2014 to 2015
			Phase II	2016 to 2017
			Phase III	2018 to 2019
Cluster 3	Development and Operationalisation of the Oecusse ZEESM governance model	3	Phase I	2014 to 2015
			Phase II	2016 to 2017
			Phase III	2018 to 2019
Cluster 4	Short to Medium Term Investments in Social Capital and Governance	3	Phase I	2014 to 2015
			Phase II	2016 to 2017
			Phase III	2018 to 2019
Cluster 5	The 500 Year Celebrations and Related Investments in Infrastructure and Services	1	Phase I	2014 to 2015

The phased action plan presented in this section attempts to bring all these clusters together. The approach followed is that from 2014-2019, the focus is on institutional aspects, both for the regional administration and for the economic and social market zone. Parallel to this institution building, immediate gaps in social sectors would be addressed, and the process of implementation of the Master Plan for the Oecusse ZEESM initiated. The aim is that by the end of 2019, most of the key institutional, policy, legal and fiscal issues would be addressed, paving the way for the completion of the physical infrastructure development of the Zone as well as its promotion and operationalisation. The phased action plan (see next pages) includes a detailed risk analysis, indicates difficulty levels associated with each action, as well as their likely resource impact.

Activities under Cluster 4 are ones whose responsibility will be gradually assumed by the Oecusse Regional Administration, once it is established. A phasing of activities under this cluster has been proposed in Table 14 in the earlier sections of this report.

Activities under Cluster 5 are not strategically linked to the other clusters, but do provide a test case for how coordinated effort can deliver results quickly. The Oecusse ZEESM Office is making an effort, with the active cooperation of line ministries that the transport and communication, tourism and hospitality infrastructure developed under this cluster will subscribe to the broader Master Plan development.

PHASED ACTION PLAN FOR THE OECUSSE ZEESM						
WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT	MITIGATION
					POSSIBLE SOURCES	
I. MASTER PLAN FINALISATION*						
a. Draft Final Master Plan for Oecusse ZEESM developed and shared with stakeholders through web, open meetings with communities and discussions with private sector  b. Feedback from stakeholders incorporated.  c. Stakeholder engagement and advocacy on the final Master Plan.  d. The Master Plan Implementation is initiated.	Oecusse ZEESM Office (OZO) for activities (a) to (c).  Oecusse ZEESM Management agency for (d).	a. Draft final Master Plan published on the ZEESM website.  b. Stakeholder feedback report.  c. Final Master Plan approved by Oecusse Regional Administration and published.	<b>Phase I</b>  <b>Target Dates:</b> <b>a. Aug 2014</b>  <b>b. Oct 2014</b>  <b>c. Dec 2014</b>  <b>d. Jan 2015</b>	a. Medium b. Medium c. Medium	a. \$ _____ OZO  b. \$ _____ OZO  c. \$ _____ OZO	<b>Political</b> i. Inadequate support or outright opposition to the Master Plan from ruling coalition. ii. Opposition from Suco Chiefs in Oecusse. iii. Opposition from organised community groups, including religious/ethnic groups iv. Resistance by proxy, with vested interests (local elite, land grabbers) using communities to oppose the Plan.
					Communication Strategy is developed and used to engage with all stakeholders.	
					<b>Economic &amp; Fiscal</b> i. The cost of the final Master Plan is higher than envisaged, impacting its feasibility. ii. Global, regional or national economic downturn reduces fiscal space for public sector contribution.	
					Multiple scenarios used for more realistic costing	
						<b>Institutional</b> i. Unresolved issues related to land titles, valuation and compensation create implementation hurdles. ii. Lack of clarity in terms of institutional mandate for implementing the Master Plan creates delays. iii. The zone management agency is either not established or is controlled by the Oecusse Regional Administration, creating delays and conflict of interest. iv. Bureaucratic resistance to devolution of power.
						<b>Social</b> i. Environmental and social aspects not incorporated adequately and not aligned with intent of protecting local culture, heritage. ii. High levels of displacement, relocation leading to social unrest. iii. Inappropriate phasing with no frontloaded investment in social, institutional and environmental infrastructure.
						Relocation, rehabilitation and re-skilling plans in place. Culture/heritage/religious concerns addressed in Plan.
*THE MASTER IMPLEMENTATION PHASING HAS ALREADY BEEN PRESENTED IN THE REPORT. PLEASE SEE SECTION II (VISION) PAGE 15						

WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT		RISKS AND MITIGATION MEASURES	
					POSSIBLE SOURCES	RISKS	MITIGATION	
II. KEY POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORKS								
Law on a special administrative and economic governance regime is promulgated.	Prime Minister's Office	Law published on the RDTL government website	Phase I  Target date: Apr 2014	Medium	\$  GoRDTL	<b>Political</b> i. The Government backtracks or stalls on its political commitment to grant a special regime as envisaged in the Constitution. The legal framework does not include political devolution or political devolution that still gives the central government complete control over policies.		
						<b>Fiscal</b> i. The law does not grant taxation powers to the rOecusse regional administration, thus making it reliant on central transfers and in doing so, effectively constricting its decision making powers. ii. The law is unclear in terms of how the public sector investment for the zone development and management would be ensured, leading to an uncertain fiscal framework for zone development. iii. The law does not define or determine the revenue sharing arrangements if any, between the central government, the regional administration and the zone development agency. iv. The law does not define how and to what extent financial resources would be transferred to the regional administration for decentralised functions.		
						<b>Institutional</b> i. Impact of the special governance regime is circumscribed by provisions in the law that limit administrative, fiscal and legal autonomy. ii. Roles and responsibilities are not clearly divided between central, regional and municipal government. iii. Key functions such as planning, budgeting and sector strategy making are controlled directly or indirectly by the centre. iv. The law is unclear on how functions such as customs, security, immigration, foreign exchange flows and labour laws would be performed. v. The law fails to chart out a path of transition for the regional administration, moving to full autonomy. vi. The law is silent on the mechanism for absorbing current civil servants into the regional administration, both in the transition period and when the administration is fully autonomous. vii. The law is silent on issues such as seniority, pay scales, promotions, transfers and disciplinary powers, causing consternation among civil servants.		
						Through political and technical dialogue, ensure that the autonomy is unencumbered and key powers are transferred to the regional administration, including for financial and human resource management, and inter governmental coordination.		

WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT		RISKS AND MITIGATION MEASURES	
					POSSIBLE SOURCES	RISKS	MITIGATION	
II. KEY POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORKS (CONTINUED)								
A Transitional Oecusse Regional Administration (TRA) is established, which works to lay the foundations of a fully functional Oecusse Regional Administration (ORA)	Ministry of State Administration		<b>Phase I</b>  <b>Target Date: Sep 2014</b> for Transitional Administration  <b>Jan 2017</b> for fully functional regional administration	High	\$\$\$\$ Government of RDTL  Development Partners  UNDP	<b>Political</b> i. The central government seeks to influence the structure, curtail functions and clip powers of the TRA and ORA through exercising political control over budgeting, appointments and decision making. ii. Dissent within the ruling party on the establishment of the ORA which is headed by a leader of the opposition. This leads to attempts to try and control the ORA by encroaching on its autonomy. iii. The TRA does not propose a model of political inclusion and devolution within Oecusse, which may lead to political instability.	Law on regional autonomy includes political devolution and mandates decentralised governance. Deep political engagement is required to ease political tensions and ensure coordination.	
						<b>Institutional</b> i. Top-down governance by TRA. ii. The TRA intentionally prolongs the transition period, leading to political uncertainty, which in turn impacts efforts to attract foreign investment. iii. Mismatch between institutional capacities for service delivery, planning, budgeting, regulation and human resource management and public expectations for efficient services leads to public dissatisfaction and foments social unrest. iv. Inability to attract and retain requisite number of qualified civil servants due to service-related issues (seniority, promotions etc.) or lack of incentives. v. Delays in developing and promulgating subordinate legislation leads to difficulties and confusion in operational issues.	i. Capacity development plan in place. ii. Publicly announced date for end of transition period. iii. Civil service structure with define career paths and incentives. iv. Special Legal Task Force to draft legislation in advance.	
						<b>Fiscal and Financial</b> i. ORA is fiscally unsustainable due to inadequate fiscal decentralisation. ii. Financial resources for recurrent and capital expenditures are either not transferred from the central government or are transfers are delayed or incomplete. iii. Culture of subsidised services and utilities drains public funds.	Fiscal decentralisation negotiated with central government to form part of law; gradually introduce priced services	
						<b>Social</b> The Regional Administration is not inclusive, does not invest adequately in social capital and fails to embed informal governance institutions in the formal structure.	Incorporate informal institutions in governance model; establish Social Development Fund.	



WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT	RISKS AND MITIGATION MEASURES		
							RISKS	MITIGATION
II. KEY POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORKS (CONTINUED)								
Oecusse-specific Land Policy and Land Acquisition Law, Social Safeguards Standards and Mechanisms and Environment Policy are developed and promulgated.	Oecusse ZEESM Office develops with UNDP support, Oecusse Regional Administration approves. In case there are delays in the formation of the Transitional Regional Administration, the Ministry of Justice approves.	The Land Policy is made public through the Government of RDTL and Oecusse Regional Administration websites	Phase I  Target date: Nov 2014	High	\$  ----- OZO  MoJ  UNDP	Political	The law on special governance regime for Oecusse does not devolve political power to frame and approve policies to the Oecusse Regional Administration. This would predicate these policies, laws and standards on existence or development national ones, which may either never be developed, or may be unsuited to the Oecusse context.	Ensure political negotiation results in political devolution to be enshrined in the law on special governance regime
						Economic	i. Absence of a well defined policy and legislation would serve as a major deterrent for foreign investment and thus pose a major risk for zone development.  ii. Lack of or poorly developed and non-transparent land valuation mechanism will lead to land speculation and artificially drive up costs of doing business by driving up cost of land.	The Land Policy identifies the principles, strategic objectives and institutional arrangements for land administration. The Land Acquisition Law lays down a criteria and process for valuation of land that helps arrive at fair market value.
						Institutional	The absence of a Land Policy and Acquisition Law leads to arbitrary measures of land use, acquisition in public interest, zoning, purchase by foreign investors, valuation and pricing. This would raise risks for rent seeking, land grabbing and commercial use that threatens the ecosystem and does not benefit the poor landowners.	The Land Policy and Land Acquisition Law determine transparent, inclusive procedures and processes which empower citizens.
						Social	i. Lack of transparency and absence of regulation leads to dispossession of land and property, prices the poor out of the market and causes internal displacement.  ii. Social unrest on land issues leads to delays in zone development, drives land prices up and reduces economic attractiveness of Oecusse.	Establish a Citizen Advisory Centre which provides information on land acquisition, pricing and citizens' rights and also guides in relation to relocation, reemployment and grievance redress.
							RISKS AND MITIGATION MEASURES	
							RISKS	MITIGATION



						SOURCES	
II. KEY POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORKS (CONTINUED)							
Oecusse Special Economic Zone (SEZ) Policy is framed, implemented and reviewed periodically and includes an Incentives Framework covering economic, labor market, financial, institutional incentives.	Oecusse ZEESM Office develops, Oecusse Regional Administration (ORA) approves	The Special Economic Zone Policy is made public through the Government of RDTL Regional Administration and Oecusse Regional Administration websites	Phase I for framing  Target date: Oct 2014  Phase II and III for implementation, review and amendment	Medium	<div> <div>\$</div> <div>OZO</div> <div>UNDP</div> <div>WB</div> </div>	<p><b>Political</b></p> <p>The law on special governance regime does not devolve political power to frame and approve policies to the Oecusse Regional Administration. This would link the Oecusse Land Policy to the development of a national Special Economic Zone Policy, if and when it is developed.</p> <p><b>Economic</b></p> <p>i. Absence of a well defined policy and subsequent legislation would serve as a major deterrent for foreign investment and thus pose a major risk for zone development.</p> <p>ii. In the absence of a policy, the transaction costs of targeting industries, sectors and investors and approving proposals may be high. These higher administrative costs will likely be passed on to the investor, thus raising start up costs and time.</p> <p>iii. The Incentives Framework is uncompetitive or is</p> <p><b>Institutional</b></p> <p>i. The absence of a Special Economic Zone Policy promotes arbitrary decision making and confusion over roles of the government agencies at central, regional and local levels as well as between the government and the zone management agency.</p> <p>ii. Insufficient institutional capacity and lack of competence in key areas such as business support services, macroeconomic analysis, and relationship management may deter investors.</p> <p>iii. Accessing the incentives is cumbersome, has high transactional cost and susceptible to rent seeking. This will deter investors</p>	<p>Ensure political negotiation results in political devolution to be enshrined in the law on special governance regime. This would allow the SEZ Policy to be approved by the ORA.</p> <p>The SEZ Policy identifies the principles, strategic objectives and institutional arrangements for zone development, management and regulation.</p> <p>i. Ensure the SEZ Policy clearly identifies institutional roles, mechanisms and performance benchmarks.</p> <p>ii. Invest in institutional capacities through targeted investments in key areas.</p> <p>iii. Devise simple, online platforms for accessing incentives.</p> <p>iv. Communicate with stakeholders on the SEZ policy.</p>

WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT	RISKS AND MITIGATION MEASURES	
					POSSIBLE SOURCES	RISKS	MITIGATION
II. KEY POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORKS (CONTINUED)							
Oecusse Zone Management Agency (OZMA) is established, with a clear and sustainable funding model	Oecusse Regional Administration	Notification of the establishment of the OZMA, issued by the Transitional Oecusse Regional Administration  Minutes of the first meeting of the Board as evidence of operationalisation of the Agency.	Phase I for establishment  Target Date: Feb 2015	Medium	\$\$\$ Oecusse Regional Administration Budget	<b>Political</b> The central government or the TRA may try to use the OZMA as a forum for extending political patronage. This would compromise the independence and integrity of the OZMA and negatively influence its performance.	The OZMA structure needs to be independent of all political influence by incorporating it as a company and by including an independent Board that comprises of private sector members.
						<b>Institutional</b> i. The OZMA is brought under the administrative control of the Oecusse Regional Administration directly (through line responsibility) or indirectly (by packing the Board with political appointees). In either case, its independence would be reduced. ii. Structure, functions and accountability for results are not clearly defined, with lack of clarity on ownership and duality of responsibilities between the OZMA and ORA. This would impinge on managerial performance and accountability. iii. The OZMA is unable to attract top regional or international management and technical talent, delaying the zone implementation, impacting its performance.	The pay and perks offered for top management positions need to be internationally competitive
						<b>Financial and Fiscal</b> i. The Transitional or full-fledged Oecusse Regional Administration imposes limits on financial management by OZMA, including through curbs on retention and use of revenues and profits. ii. OZMA does not get necessary public sector support as envisaged under the Master Plan, especially at start-up due to fiscal constraints. This would lead to delays and limit the scope of its activities. iii. The financial model is unclear, particularly in relation to revenue sharing agreements between the OZMA, the Oecusse Regional Administration and the central government. This leads to lack of incentive for the OZMA to perform.	The financial model needs to be clearly defined in the design of the OZMA. This would include distribution of profits.  The start-up funds for OZMA need to be secured and placed in a separate fund to reduce fiscal risks.

WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT	RISKS AND MITIGATION MEASURES	
					POSSIBLE SOURCES	RISKS	MITIGATION
II. FUNDAMENTAL POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORKS (CONTINUED)							
Establish an Oecusse Talent Management Agency	Oecusse Transitional Regional Administration	Reports of the Talent Management Agency	Phase I  Target Date: Mach 2015	Medium	\$\$\$ TRA  Development Partners  Private Sector	<b>Institutional</b>	Assign priority to the establishment of the Talent Management Agency.  Use the communication strategy to convey how the Agency would function, the services it offers and how the public can benefit from these.
						i. Difficulties arising from an attempt to bring the various roles which the Talent Management Agency would perform (training provider, job centre, career advisor, placement agency) under one structure.	
						ii. Adoption of a traditional technical and vocational training centre model, which would run contrary to the idea of a multipurpose Agency.	
						iii. Inability to source quality managers for the Agency.	
						iv. Lack of integration with other investments into human resource development.	
						v. Delays in start up dims employment prospects of a large number of locals.	
						<b>Economic</b>	
						i. Inability of the Agency to enrich and deepen the skills and quality of the labor market could deter investors since they would be forced to bring in expatriate staff at high costs.	
						ii. Lack of trained, qualified manpower would prevent achieving the objective of job creation.	
						<b>Social</b>	
						Lack of jobs or jobs only in low-paid, low skill work particularly in youth, could lead to social unrest.	
Establish a Citizens' Advisory and Information Centre (CAIC)	Oecusse Transitional Regional Administration	Reports of the CAIC	Phase I  Target Date: Jan 2015	Medium	\$\$\$ TRA  Development Partners  Private Sector	<b>Institutional</b>	Assign priority to the establishment of the Centre.  Use the communication strategy to create public awareness about the Centre, its services and how these can be accessed.
						i. The Centre is unable to attract qualified staff, with a customer orientation.	
						ii. The Centre functions in a reactive mode, rather than reach out to the public. This limits its efficacy.	
						iii. The Centre is unable to deal with key matters such as land, environment and investment in the Zone because either it does not have requisite information or staff is untrained on these issues.	
						iv. Delays in start up creates an information void and leads to confusion, lack of awareness and rent seeking by vested interests.	
						<b>Social</b>	
						Lack of information on developments, and lack of awareness about citizens' rights, grievance redress mechanisms and opportunities created by the Zone can lead to political and social unrest.	

WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT	RISKS AND MITIGATION MEASURES	
					POSSIBLE SOURCES	RISKS	MITIGATION
III. RESEARCH AND ANALYSIS							
Carry out a comprehensive review of the business environment to identify major institutional, legal, fiscal and economic barriers to investment, trade and growth	Oecusse ZEESM Office	The final reports are published on the Oecusse ZEESM website	Phase I Target Date: Jun 2014	Medium		<b>Economic</b> i. Absence of this critical analysis would lead to a suboptimal design of incentives, since the competitive advantages, opportunities for backwards and forward linkages would be unclear. This would weaken the business case for the ZEESM and would deter investors from entering the market. The inability to attract investors would in turn lead to the costs of zone development unjustifiable. ii. The lack of special purpose vehicles such as the various Funds mentioned would make it difficult for the Oecusse Regional Administration to create linkages of Oecusse at large with the economic zone. In particular, without these Funds, there is a likelihood that social enterprise development, SMEs would not be able to scaled up and feed into the ZEESM generated economy through forming supply chains <b>Institutional</b> Without these studies and reviews, the institutional arrangements for the ZEESM would be developed in a strategic void, leading to weak design of structures, incentives and performance benchmarks. <b>Social</b> The promise of the ZEESM delivering social as well as economic benefits would turn out to be a hollow political cry if there is no clarity on how these would be achieved. In the absence of these reviews and strategic directions, public dissatisfaction could rise quickly.	1. The OZO kick starts some of these reviews and analysis by tapping into its Change Management Fund. 2. The OZO - proactively engages with possible partners, to carry out analysis and reviews as a priority. 3. The OZO organises extensive discussions and dialogues with the private sector , both locally, regionally and internationally, to seek feedback 4. Use the communication strategy to ensure stakeholders are aware of the proposals emerging from these studies.
					\$ \$		
					OZO World Bank/IFC		
					UNDP		
Develop a strong business case for the Oecusse ZEESM by carrying out competitiveness studies, feasibility studies on economic potential of various industries and sectors and identifying comparative advantages	Oecusse ZEESM Office	The final reports are published on the Oecusse ZEESM website	Phase I Target Date: Aug 2014	High	USAID	<b>Economic</b> i. Absence of this critical analysis would lead to a suboptimal design of incentives, since the competitive advantages, opportunities for backwards and forward linkages would be unclear. This would weaken the business case for the ZEESM and would deter investors from entering the market. The inability to attract investors would in turn lead to the costs of zone development unjustifiable. ii. The lack of special purpose vehicles such as the various Funds mentioned would make it difficult for the Oecusse Regional Administration to create linkages of Oecusse at large with the economic zone. In particular, without these Funds, there is a likelihood that social enterprise development, SMEs would not be able to scaled up and feed into the ZEESM generated economy through forming supply chains <b>Institutional</b> Without these studies and reviews, the institutional arrangements for the ZEESM would be developed in a strategic void, leading to weak design of structures, incentives and performance benchmarks. <b>Social</b> The promise of the ZEESM delivering social as well as economic benefits would turn out to be a hollow political cry if there is no clarity on how these would be achieved. In the absence of these reviews and strategic directions, public dissatisfaction could rise quickly.	1. The OZO kick starts some of these reviews and analysis by tapping into its Change Management Fund. 2. The OZO - proactively engages with possible partners, to carry out analysis and reviews as a priority. 3. The OZO organises extensive discussions and dialogues with the private sector , both locally, regionally and internationally, to seek feedback 4. Use the communication strategy to ensure stakeholders are aware of the proposals emerging from these studies.
ADB							
EC							
Private Sector							
Develop a proposal for establishing a <i>Social Development Fund</i> for investments in health, education and social protection; an <i>Innovation Fund</i> to support innovations in policy and delivery; a <i>Social Enterprise and Economic Development (SEED) Fund</i> to act as a Venture Capital vehicle; and a <i>Change Management Fund</i> to address transition needs.	Oecusse ZEESM Office	Reports from the Fund Managers about the establishment and Operationalisation of the various Funds.	Phase I Target Date: Jan 2015	Medium	Civil Society including academia	<b>Economic</b> i. Absence of this critical analysis would lead to a suboptimal design of incentives, since the competitive advantages, opportunities for backwards and forward linkages would be unclear. This would weaken the business case for the ZEESM and would deter investors from entering the market. The inability to attract investors would in turn lead to the costs of zone development unjustifiable. ii. The lack of special purpose vehicles such as the various Funds mentioned would make it difficult for the Oecusse Regional Administration to create linkages of Oecusse at large with the economic zone. In particular, without these Funds, there is a likelihood that social enterprise development, SMEs would not be able to scaled up and feed into the ZEESM generated economy through forming supply chains <b>Institutional</b> Without these studies and reviews, the institutional arrangements for the ZEESM would be developed in a strategic void, leading to weak design of structures, incentives and performance benchmarks. <b>Social</b> The promise of the ZEESM delivering social as well as economic benefits would turn out to be a hollow political cry if there is no clarity on how these would be achieved. In the absence of these reviews and strategic directions, public dissatisfaction could rise quickly.	1. The OZO kick starts some of these reviews and analysis by tapping into its Change Management Fund. 2. The OZO - proactively engages with possible partners, to carry out analysis and reviews as a priority. 3. The OZO organises extensive discussions and dialogues with the private sector , both locally, regionally and internationally, to seek feedback 4. Use the communication strategy to ensure stakeholders are aware of the proposals emerging from these studies.
Develop a policy note on <i>Shared Value in Oecusse ZEESM</i> to lay down a framework for corporate responsibility; propose mechanisms for turning citizens into shareholders; and identify how environmental benefits could accrue to the public.	Oecusse ZEESM Office	Reports from the Fund Managers about the establishment and Operationalisation of the various Funds.	Phase I Target Date: Aug 2014	Medium		<b>Economic</b> i. Absence of this critical analysis would lead to a suboptimal design of incentives, since the competitive advantages, opportunities for backwards and forward linkages would be unclear. This would weaken the business case for the ZEESM and would deter investors from entering the market. The inability to attract investors would in turn lead to the costs of zone development unjustifiable. ii. The lack of special purpose vehicles such as the various Funds mentioned would make it difficult for the Oecusse Regional Administration to create linkages of Oecusse at large with the economic zone. In particular, without these Funds, there is a likelihood that social enterprise development, SMEs would not be able to scaled up and feed into the ZEESM generated economy through forming supply chains <b>Institutional</b> Without these studies and reviews, the institutional arrangements for the ZEESM would be developed in a strategic void, leading to weak design of structures, incentives and performance benchmarks. <b>Social</b> The promise of the ZEESM delivering social as well as economic benefits would turn out to be a hollow political cry if there is no clarity on how these would be achieved. In the absence of these reviews and strategic directions, public dissatisfaction could rise quickly.	1. The OZO kick starts some of these reviews and analysis by tapping into its Change Management Fund. 2. The OZO - proactively engages with possible partners, to carry out analysis and reviews as a priority. 3. The OZO organises extensive discussions and dialogues with the private sector , both locally, regionally and internationally, to seek feedback 4. Use the communication strategy to ensure stakeholders are aware of the proposals emerging from these studies.

WHAT	WHO	MONITORING METRIC	WHEN	LEVEL OF DIFFICULTY	RESOURCE IMPACT	RISKS AND MITIGATION MEASURES	
					POSSIBLE SOURCES	RISKS	MITIGATION
IV. MARKETING, COMMUNICATION AND ADVOCACY							
Develop and implement a Communication and Advocacy strategy	Oecusse ZEESM Office	Communication Strategy is published on the OZO website	Phase I Target Date: Jul 2014	Medium	\$\$\$ OZO	Without these strategies, there would be lack of a shared understanding of direction, incoherence in messages, selective interpretation and transmission of policies, incentives etc.	Develop the strategies as a priority and implement them in a coordinated and focused manner, tying in with other initiatives and actions outlined earlier in this action plan.
					UNDP Other Development Partners		
Develop and implement a ZEESM Marketing Strategy	Oecusse ZEESM Office	Marketing strategy is available on the Agency website	Phase I Target Date: Sep 2014	Medium	\$\$\$ OZO Private Sector UNDP Other Development Partners	Social In the absence of a communication strategy, there could be public dissatisfaction about how the ZEESM initiative benefits them and how they can become active participants in the economic and social development process.	
					Economic The Marketing Strategy is critical to establish the Oecusse ZEESM on the global map. An inadequate (in terms of targeting and positioning), delayed or an unclear marketing strategy can potentially derail the entire ZEESM initiative.		
MoJ= Ministry of Justice; OZO= Oecusse ZEESM Office; ORA= Oecusse Regional Administration; OZMA= Oecusse Zone Management Agency; TRA= Transitional Regional Administration;							

ACTION PLAN FOR THE 500 YEARS CELEBRATIONS											
ACTIVITY	RESPONSIBILITY	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
		2014	2014	2014	2014	2015	2015	2015	2015		
Preparatory Activities for the 500 Year Celebrations											
Establishment of the Ministerial Forum and the Operational Management Committee	Prime Minister's Office										
The following plans are developed and approved: i. Airport Development (including airfield). ii. Sokata-Lifao Road Construction iii. Hospital Upgradation & Emergency Care Services iv. Hotel construction and management contracting v. Immigration Facilitation vi. Tourist Marketing Strategy and Tourism Facilitation Plan vii. General Security and VIP Security Plan viii. Cultural and Religious Program	▪ Ministerial Forum for approval										
	▪ Operational Management Team for development										
	▪ Ministry of Environment										
	▪ Oecusse ZEESM Office										
	Ministry of Public Works										
	Ministry of Public Works										
	▪ Ministry of Public Works for execution										
	▪ Operational Management Team										
Implementation of the Tourism Marketing Strategy and the Cultural and Religious Program	▪ Ministry of Tourism ▪ Operational Management Team										
Mid Term Review of the status of implementation of plans	Ministerial Forum										
Infrastructure development is completed											
Q1=Jan-Mar; Q2=Apr-Jun; Q3=Jul-Sep; Q4=Oct-Dec											

## APPENDIX I: LIST OF KEY INFORMANTS

Focus Group Discussions on Social Capital					
No	Date	Sector/Group	Meeting place	Participants	
				F	M
1	9-Mar-13	Oecussi women national congressist	Land Mark Plaza (Dili office)	11	
2	9-Jun-13	Oecussi members of intellectuals/professionals in Dili	Land Mark Plaza (Dili office)	4	15
3	16-Aug-13	Heads of Departments	ZEESM-TL office Oecussi	4	36
4	25-Aug-13	Director and staff of Oecussi District Health service (DHS) office	Meeting room of DHS	2	14
5	29-Aug-13	Members of Oecussi Veterans	ZEESM-TL office Oecussi	11	25
6	30-Aug-13	Community of Aldeia Mahata	Community center of Mahata (Zone 1.1)	40	45
7	31-Aug-13	Local and International NGO groups in Oecussi	ZEESM-TL office Oecussi	6	14
8	31-Aug-13	Director and staff of Oecussi SEPFOPE	SEPFOPE office Oecussi	3	13
9	1-Sep-13	Community leaders of Suco Cunha	Sede Suco Cunha (Zone 1.2)	3	10
10	2-Sep-13	Community leaders of Suco Costa	ZEESM-TL office Oecussi (Zone 1 - 3)	4	9
11	2-Sep-13	Community/program beneficiaries of CVTL in Oecussi district	Aldeia Oenunu	1	11
12	4-Sep-13	Community leaders of Suco Bobocase	Sede Suco Bobocase	4	9
13	4-Sep-13	Community leaders of Suco Naimeco	Sede Suco Naimeco	3	9
14	4-Sep-13	Staff at Health Center of Boaknana	Boaknana	5	8
15	4-Sep-13	Staff at Health Center of Bhaki	Bhaki	8	5
16	4-Sep-13	Community leaders of Suco Lalisuc	Sede Suco Lalisuc	2	8
17	5-Sep-13	Members of Political parties and Intellectuals of Oecussi	ZEESM-TL office Oecussi	4	25
18	5-Sep-13	Community of Suco Naimeco	Naimeco	32	50
19	7-Sep-13	Community of Aldeia Ulas/Suco Taiboco	Ulas	9	14
20	8-Sep-13	Community of Suco Lifau	Sede Suco Lifau	4	24
21	11-Sep-13	NGO Bifano, Hit a'an rasik SHG and SEPFOPE	Buki/ Pune	7	6
22	11-Sep-13	University of DIT no UNPAZ	ZEESM-TL office Oecussi		17
23	12-Sep-13	Community in Oesono, Cruz and St.Rosa	Bairo Cruz (Zone 1)	42	58
Total				209	425
				634	

Key Informants Social Sector					
No	Date	Sector	Meeting place	Participants	
				F	M
1	23-Oct-13	Interview with Head Department of Pollution Control at the Sos for Environment	Nat. Directorate for Environment, Dili		1
2	23-Sep-13	Interview with National Director for Planning and Policy of the Min of Health	Ministry of Health, Dili		1
3	19-Sep-13	Interview with Director for Social Service of Oecussi district	Oecussi office		1
4	13-Sep-13	Interview with UPF and staff of border control at Bobometo border	Bobometo Oecussi		2
5	10-Sep-13	Interview with coordinator fo environemntal service of Oecusse	Oesono		1
6	9-Sep-13	Interview with Nuns from the Franciscana Congregation in Oecussi	Padiae, Oecussi	3	
7	6-Sep-13	Interview with women group beneficiaries of the FPWO NGO	Baki	5	2
8	5-Sep-13	Interview with eldersfrom Suco Cunha	Noeninen/Cunha	3	3
9	4-Sep-13	Interview with teachers in Baoknana, Nitibe	Baoknana	3	6
10	2-Sep-13	Interview with staff at Oesilo Sub-district office	Oesilo Sub-district office		4
11	2-Sep-13	Interview with at Oesilo Primary school	Oesilo		2
12	2-Sep-13	Interview with staff from Oesilo Health center	Oesilo	2	3
13	2-Sep-13	Interview with Oecussi Director of Education service	Oecussi office		1
Total				16	27
				43	



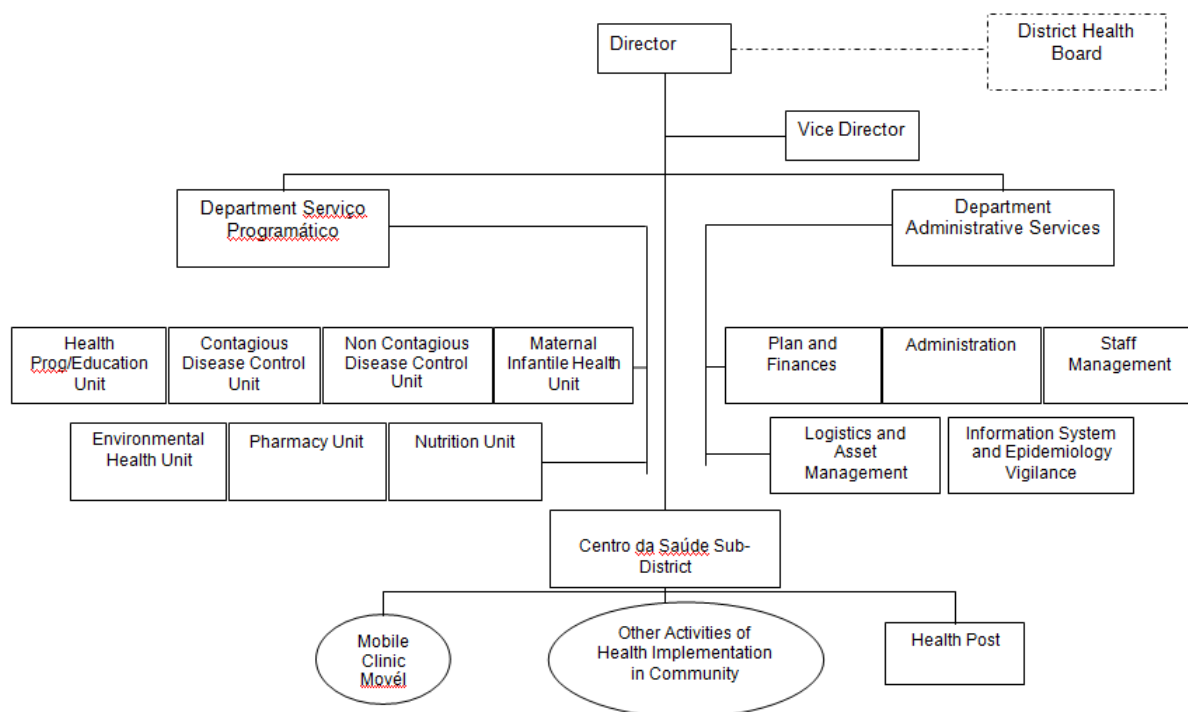
TABELA 2

GRUPO DE DISCUSSÃO DOS ASSUNTOS DE TERRAS E PROPRIEDADES

n.º	Grupo de Discussão	Lugar e local	Data	Participantes			Observação
				Mane	Feto	FM	
1	Grupo Feto Kongresu	Land Mark Plaza	16-Ago-13	0	11	11	
2	Intelectuais Oecusse em Dili	Land Mark Plaza	25-Ago-13	15	4	19	
3	Porto Mahata	Porto Mahata	30-Ago-13	45	40	85	
4	Veteranos	ZEESM	31-Ago-13	21	0	21	
5	NGO	ZEESM	02-Set-13	11	0	11	
6	Funcionários da DNTPSC	DNTPSC	03-Set-13	18	3	21	
7	Comunidade Zona Central 2	Porto Oebau	04-Set-13	42	7	49	
8	Suco Cunha	Sede Suco	05-Set-13	24	5	29	
9	Suco Nipane	Sede Suco	06-Set-13	22	2	24	
10	Aeroporto Palaban	Bairro RSS	06-Set-13	29	10	39	
11	Universitários	ZEESM	07-Set-13	10	2	12	
12	Partidos Políticos e Intelectuais	ZEESM	08-Set-13	19	0	19	
13	Natar Nain Balesanto, Lalisuk	Balesanto, BPP	09-Set-13	26	4	30	
14	Administrador e Directores	Adm. DNAT	10-Set-13	13	0	13	
15	Comunidade Suco Naimoco	Baqui	11-Set-13	73	12	85	
16	Suco Bobometa	Quisiso, Ulas	11-Set-13	14	9	23	
17	Suco Bene-Ufe	Sede Suco	12-Set-13	22	2	24	
18	Comunidade Zona Central 1	Maria Tali Land	12-Set-13	40	15	55	
Total Participantes				444	126	570	

Referência: Dados ZEESM Oecusse 1 de Setembro de 2013

## APPENDIX II: HEALTH SERVICES OFFICE ORGANOGRAM



### APPENDIX III: CHANGE AMBASSADORS' FORUM

#### Composition

Dr. Mari Alkatiri, Leader of the Oecusse ZEESM Project	Chair
Minister State and Presidency of Council of Ministers	Member
Minister of Finance	Member
Minister of State Administration	Member
Minister of Commerce, Industry, Environment	Member
Minister of Agriculture and Fisheries	Member
Minister of Public Works	Member
Minister of Transport & Communications	Member
Minister of Justice	Member
Minister of Health	Member
Minister of Education	Member
Minister of Social Solidarity	Member
Mr. Arsenio Bano, Oecusse ZEESM Manager	Member/Secretary
Three Private Sector Representatives	Members
Three Civil Society Representatives	Members

#### Notes:

- a. *The Forum shall be convened once every quarter.*
- b. *It shall submit a quarterly summary report to the Prime Minister and to the Council of Ministers.*
- c. *The forum may co-opt other members or invite stakeholders and experts for specific sessions.*

#### Terms of Reference (TOR)

1. To share information on plans, progress and problems in relation to the establishment of the Oecusse ZEESM.
2. To regularly share information on progress on implementation of various projects, programs and schemes in Oecusse.
3. To learn of and act on concerns and ideas of the private sector and civil society requiring attention and action by the line ministries.
4. To collectively find solutions for persistent issues that hampers the establishment of the ZEESM and develop strategies for risk mitigation.
5. To periodically engage with the public in Oecusse to seek feedback, perspectives and learn of emerging challenges.



**Zonas Especiais de Economia Social de Mercado de Timor-Leste  
[ ZEESM T-L ]  
( Projecto Piloto Distrito Oecusse )**