1. Country and Sector Background

In 1999, the citizens of Timor-Leste voted overwhelmingly for the restoration of independence from Indonesia. Timor-Leste had been occupied for 24 years by Indonesia after being colonized by the Portuguese for 400 years. After the referendum a campaign of violence, driven by exiting Indonesian soldiers and pro-Indonesian forces, swept across the country. This resulted in hundreds of deaths, thousands internally displaced people, and the widespread destruction of existing physical infrastructure. Up to 70% of private homes and public buildings, bridges and power lines, as well as the telecommunications system were destroyed.\(^1\)

In the first four years following the restoration of independence, Timor-Leste remained relatively stable. The Timorese Government made significant steps to foster reconciliation by establishing a Commission on Reception, Truth, and Reconciliation. Security was assured through the deployment of a UN Mission that focused on peace-keeping, training, and support to the Timorese police force. The government has shown a commitment to promoting growth and reducing poverty with its focus on basic economic and social services. However, economic growth since independence has been low.

In 2006 Dili was plunged into violence after a disaffected group of soldiers of the national army (the F-FDTL) went on strike and were subsequently dismissed. In the ensuing violence over 160,000 people were displaced internally, at least 2,000 houses were torched, and over 30 people killed. The unrest had a devastating impact on the economy: coffee production fell by about 20 percent, real non-oil GDP declined by 5.8 percent in 2006. A new United Nations mission was deployed to assist with the restoration of security, and this helped to restore economic growth in 2007.

The consequences of the repeated episodes of instability can still be felt. Over 100,000 Timorese continue to be displaced internally. Many communities remain divided and a large number of gangs continue to operate beyond the law. International security personnel are still required to provide security support.\(^2\) The recent assassination attempts on President Ramos Horta and Prime Minister Gusmao, and the subsequent instatement of a state of emergency and curfew, suggest that the risk of further instability

\(^2\) In early 2008, approximately 1,600 UN police and over 1,000 troops from Australia and New Zealand remain deployed in Timor Leste.
remains high.

**Youth in Crisis.** Youth played a central role in the violence and ongoing instability. A 2007 World Bank report indicates that while youth were not the instigators of the violence they were used as agitators and also exploited the breakdown in law and order to loot business and exact revenge for past grievances. This involvement of youth in the ongoing crisis, instability and violence has drawn attention to the position and plight of youth in post-independent Timor-Leste.

The country is undergoing a profound demographic shift. It has a significant youth bulge, with 34 percent of the population in the 12-29 age group. This proportion will increase as a result of the high fertility rate of 7.8 births per woman. Given these statistics, addressing youth needs and aspirations will remain a key policy challenge in the medium-term and the longer-term.

Young people in Timor-Leste confront significant challenges. Although youth are the most educated group of the population, only 68 percent of those aged 15-24 are literate in Tetum and only 17 percent in Portuguese (the two official languages). The 2003 Demographic and Health Study reported that only 1.7 percent of males and 3.4 percent of females in the 15 – 29 age bracket, and only 6 percent of males and 8.7 percent of females in the 20 – 24 age bracket had completed primary school.

Youth unemployment rates are significant, estimated at approximately 43 percent nationally and up to 59 percent in Dili. While poor education plays some role in these high figures, educated urban youth represent a significant share of the long-term unemployed. Private sector employment opportunities continue to be limited, and the public sector is not a credible alternative source of employment for the 16,000 youth who enter the labor market every year.

Social ties with communities have also been weakened, especially in urban areas. Customary leadership mechanisms for dispute resolution, and administration of land and other resources remain robust in rural areas but are unsurprisingly under strain in towns, particularly Dili. Youth participation in *grupo juven* (youth groups or neighborhood gangs) appears to be high. Membership in a youth group or gangs is often perceived as a form of political engagement. In sum, lack of employment opportunities, the prevalence of such groups and the breakdown in social control mechanisms has encouraged parts of the youth population to participate in opportunistic activities, including crime and vigilantism.

Finally, relations between the government and youth are strained. A 2005 World Bank report highlighted a tenuous link between government and citizens stating that, “policies, laws, and the completion of institutions, are largely invisible to the electorate.” The Government’s adoption of Portuguese as one of its two official languages is frequently cited by Timorese youth as source of their marginalization. In addition, youth lack necessary civic education and opportunities to engage meaningfully in the nation-building process.

In the absence of a rapid, concerted and sustained effort to provide opportunities for youth to engage with communities and government, the risk of a significant proportion of youth feeling increasingly excluded from economic development and civic life will continue. In the event of further instability, these youth could further destabilize Timor-Leste.

**Government Response.** The new coalition government formed in August 2007 has prioritized a number of activities with a view to stabilizing Timorese society and laying a foundation for inclusive growth. Key areas of focus include security sector reform, resettling IDPs, accelerating budget execution so as to stimulate the economy, generating employment, and addressing key social issues, including those of youth. The priorities for 2008 have been laid out in the government’s National Priority Program (NPP).
In addition, the government promulgated a National Youth Policy (NYP) in November 2007. The Policy seeks to address a wide range of social, economic and political issues affecting youth. The SSYS is charged with taking this agenda forward and has developed an action plan and started reaching-out to civil society and donors. Notably, the Government of Timor-Leste has allocated a significant amount of its own resources to the SSYS to implement its action plan, including through a National Youth Fund (NYF) to be used “to finance initiatives of youth groups and associations.”3 The SSYS has requested World Bank assistance to strengthen its capacity to operationalize the NYP and specifically the NYF.

2. Objectives

The overall objectives of the YDP are to promote youth empowerment and inclusion in development by (i) expanding the capacities of and opportunities for youth groups to initiate and participate in local development initiatives and (ii) strengthening the Government’s capacity to assess and respond to youth needs and aspirations.

3. Rationale for Bank Involvement

In the volatile recent environment, the Bank has sought to work closely with the government so as to ensure that key social services continued to operate throughout the crisis. The Bank moved to introduce BP/OP 8.00 to enable the rapid preparation of emergency projects as required.

In light of the youth involvement in the crisis and subsequent violence, the Bank undertook a situational analysis of the challenges that youth face and the factors that facilitated their involvement in the crisis.4 This analysis pointed to a mix of economic, social and political factors, and recommended the following policy and intervention priorities: (i) expand cash/in-kind school programs; (ii) re-establish youth centers; (iii) expand labor-intensive youth employment programming; (iv) re-establish community-driven development programming with a youth focus; (v) support a youth-led communication program; and (vi) support a community justice and safety program. This analysis was well received by government, civil society, and donors alike; and helped to inform the NYP as well as government’s analysis of, and response to the situation.

The Bank is currently moving forward on a number of these priority interventions, and aims to help the government’s efforts to tackle the range of the social, political and economic factors mentioned above. First, the Bank has initiated efforts to review and strengthen the vocational training sector. Second, in coordination with other donors, including AusAID, the Asian Development Bank, and the European Commission, the Bank is preparing a large-scale workfare program that would seek to create short-term youth employment opportunities.5 Third, a new initiative by the Justice for the Poor Program plans to investigate the breakdown in formal and informal controls on youth, and to improve understanding of the role of community justice. Finally, the Bank will continue its analytical and advisory work on youth issues.

The proposed Youth Development Project (YDP) is designed to address in particular the issues of perceived youth exclusion from communities and from local development processes. Through the YDP the government’s capacity to work more effectively with youth and youth organizations to ensure the social and civic inclusion of youth in Timorese life will be strengthened.

The project is consistent with the overall objective of the Country Assistant Strategy (CAS) [32700-TP], which establishes youth as a cross-sectoral issue to be mainstreamed across three main pillars of (i) delivering sustainable services; (ii) creating productive employment; and (iii) strengthening governance. These three pillars, and particularly the youth issue, will continue to remain relevant in the next period. The proposed project would particularly contribute to pillars (i) and (iii).

4. Description

The Project will have two components: (I) Operationalizing key aspects of the National Youth Policy; and, (II) Youth for Local Development. These components and their respective sub-components are summarized below. Annex 1 provides more detail.

Component I: Operationalizing the National Youth Policy ($550,000)

This component will support the Secretariat of State for Youth and Sports (SSYS) to operationalize the National Youth Policy by: (i) strengthening its institutional capacity to develop, implement and coordinate policy and programs relating to its mandate, including the establishment of a Secretariat to administer the National Youth Fund within SSYS; and, (ii) enhancing its ability to work with youth groups, organizations and youth centers, and support youth initiatives. The component will consist of three sub-components.

Sub-Component A: Institutional Strengthening

This sub-component will strengthen the capacity of the SSYS to develop, implement and coordinate policy and programming relating to its mandate as identified in the National Youth Policy. A recent Bank-supported capacity building assessment of the SSYS identified a strategy for strengthening its capacity in a number of key areas. This sub-component will support the SSYS to implement a series of capacity building as recommended in the assessment and to conduct an annual progress report of its capacity. In addition, it will support the SSYS to undertake an annual expenditure review of the government’s budget allocation for youth programming.

This sub-component will also support the SSYS to establish a Secretariat to manage and administer the National Youth Fund (NYF), a key element of the government’s National Youth Policy (NYP) and for which the SSYS has a significant budget allocation (about $800,000 has been earmarked to be spent by the end of June 2008; and another $1.8m for the second half of fiscal year 2009). Specifically, it will support the design and implementation of guidelines and mechanisms to administer and monitor the NYF. The sub-component will provide: (i) technical assistance; (ii) modest funds to refurbish the Secretariat’s office; (iii) support for socialization of the fund; (iv) support for outreach and capacity building; and, (v) support for the establishment of a national youth initiatives award.

Sub-Component B: Strengthening Youth Centers

This sub-component will provide funding to strengthen the capacity of the SSYS to work with, and coordinate the activities of, youth centers. It will fund capacity building for the staff and management of select youth centers. The SSYS will provide core funding grants, or administrative grants ($4,000 per year), for select youth centers from the NYF.

Component II: Youth for Local Development ($1.55 million)

This component will support the SSYS and the Ministry of State Administration (MSA) to establish a mechanism to distribute small grants to youth in rural villages (suco) and hamlets (aldeia) via the MSA’s
local government platform, the Local Development Programme (LDP). This will support implementation of the National Youth Policy by facilitating the SSYS to reach out to rural areas and to fulfill its mandate of encouraging youth-friendly development across government. In addition, the component will facilitate the participation of rural youth in local development activities and local development processes. The Project will provide support to pilot the component in five districts over the three-year project period. Each district would have a minimum of two cycles of funding. The GoTL anticipates scaling the Program into all 13 districts in Timor-Leste if the pilot is successful.

**Sub-Component A: Youth Grants**

This sub-component will provide earmarked funds for rural youth. These funds will be made available to youth at the village level to identify, prioritize, and implement sub-projects—such as rehabilitating livelihood activities, rehabilitating youth centers, social events and small infrastructure—within their suco. The planning, implementation, and monitoring process will be driven by youth. The grants will be allocated based on total population so as to ensure fairness. The amount allocated will be approximately $1.80 per person. This will result in grants of approximately $2,200 to $5,000 depending on the population of the suco.

**Sub-Component B: Youth Facilitators and Capacity Building**

The primary aim of this sub-component is to support the suco youth to implement their project. To this end, the sub-component will provide support to train and staff a corps of Youth Facilitators (YF) who will support implementation of the component’s activities at the village level. This will include socialization of the project to suco youth, youth consultation meetings, and capacity building support to a Youth Implementation Team (YIT) for each suco. These workshops will assist the YIT to fine-tune their proposal, to plan its implementation, to learn how to mitigate social and environmental impacts in sub-projects, and to ensure that at least one member of each YIT is trained in the project’s basic financial reporting obligations. The capacity building workshops under this sub-component will link with those under the NYF.

**Sub-Component C: Program Implementation and Technical Support**

This sub-component will augment the project implementation capacity of the existing Project Management Unit within MSA that supports this local government platform. This will include socialization of the program, outreach, training, administrative support staff, equipment as well as technical assistance with documentation, training development and MIS. In addition, technical assistance will be provided to ensure that the use of the youth grants is gender inclusive.

5. **Financing**

   Total (US$m)

<table>
<thead>
<tr>
<th>BORROWER</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA</td>
<td>2.1</td>
</tr>
<tr>
<td>BILATERAL AGENCIES</td>
<td></td>
</tr>
</tbody>
</table>

6. **Implementation**

   The Project will be implemented over a period of 3 years.
A. Partnership arrangements

The task team is currently exploring the possibilities of additional co-financing from AusAID. The Project will also work closely with UNICEF and GTZ on their planned support to the SSYS, and with UNDP/UNCDF on their ongoing support to decentralization in the Ministry of State Administration (MSA).

B. Institutional and implementation arrangements

The implementation of the Project has been designed to maximize ownership of the Project’s activities, build internal government capacity, and ensure the sustainability of the program within the government’s policy priorities and work schedule. For this reason, the project implementation is integrated as far as possible into government structures and utilizes and builds upon existing systems.

**Project Coordination and Management.** The government counterpart for the project will be the Ministry of State Administration (MSA). The Directorate for Local Development and Territorial Management (DLDTM) will be the focal point within the Ministry. The Secretary of State for Youth and Sport will work closely with MSA and will be responsible for implementation of Component 1 (Operationalizing the National Youth Policy). One committee and one working group will be established to ensure coordination between these two government departments, and to ensure effective and rapid implementation of the project more generally. The diagram below summarizes the arrangement.

![Diagram of Project Coordination and Management](image)

**Steering Committee.** The Steering Committee will oversee project implementation. More specifically, it will: (i) oversee the Technical Working Group; (ii) facilitate the coordination of the various institutions involved in the project; (iii) review an annual progress report; and (iv) endorse annual work programs. The committee will consist of the Minister of MSA, the Secretary of the SSYS, the Vice-Minister of MED, and the President of the National Youth Council. The Minister of MSA and Secretary of the SSYS will co-chair the Steering Committee. The Steering Committee will meet annually.

**Technical Working Group (TWG).** The TWG will be the Bank’s main counterpart and technical focal point for project implementation. It will be responsible for: (i) coordination between MSA and SSYS, particularly with respect to finance and procurement matters; (ii) coordination among other institutions involved in the Project, including contractors involved in implementation of both components; and (iii) liaison with the Bank. It will consist of a lead representative from the MSA and SSYS, the heads of
finance from both MSA and SSYS, and other department and technical staff. The TWG will meet on a quarterly basis.

**Activity Implementation.** The SSYS will endeavor to integrate implementation of component 1 into the existing institutional structure of the Secretariat of State so as to ensure that the capacity and systems established are sustainable. The Directorate of Policy Development will take responsibility of coordinating the implementation of the institutional strengthening sub-component (Sub-Component A). The Directorate of Policy Development will also take responsibility for establishing the National Youth Fund Secretariat (NYFS), which will in turn implement the NYFS sub-component (Sub-Component B). The Directorate of Youth will take responsibility for coordinating the implementation of supporting youth center sub-component (Sub-Component C).

The LDP system already includes a Project Management Unit (LDP-PMU) within MSA. Keeping with the project’s aim to utilize existing system and structures, the LDP-PMU will take primary responsibility for coordinating the implementation of the Youth in Local Development component (Component 2).

The Project also involves a number of joint activities that are related to both Components 1 and 2. This largely involves engaging the services of a number of consultants and organizations. The TWG will take responsibility for coordinating the implementation of these activities.

**Operation Manual.** The TWG, under the guidance of the Steering Committee and with assistance from the Bank, will prepare the Operational Manual for the Project. The respective departments will also prepare guidelines for relevant activities.

7. **Lessons Learned and Sustainability of Operations**

The project has benefited from lessons learned on similar operations in post-conflict settings (e.g., Liberia, Afghanistan, Nepal), that have focused on promoting local development and prepared under OP/BP8.00 procedures. Some of the lessons reflected in design include: (i) keeping project design relatively simple but allowing for sufficient flexibility in project design to adapt to changes in policy and implementation environment; and (ii), embracing good systems (e.g., LDP) that are already in place and supported by the Government to ensure rapid execution.

In addition, engagement with local Timorese communities both by Government and by donor agencies have resulted in the development of a number of lessons which the YDP will respond to:

*Proper oversight is required to ensure funds are spent as intended.* Experiences of the MSA working with youth at the village level has shown that unless proper oversight and guidance is provided funds may be used for unintended purposes. YDP will address this by ensuring that detailed guidelines are provided for the use of funds and that there is sufficient capacity building on project implementation and monitoring available for youth in suco and the staff of youth centers. Regular technical and fiduciary monitoring will also be ensured.

*Access to technical support will improve the quality and sustainability of outputs.* Attention is given to ensuring that the project design is consistent with the technical, institutional and financial capabilities of the implementing agencies; as well as identifying gaps and strengthening areas (institutions, procedures and systems) that need to be addressed, especially at the community level.

Experiences from previous Bank-supported community driven development projects in Timor-Leste and the experience of other donors have indicated that there is a need for coordination between sub-projects implemented at the community level and technical departments in order to ensure the sustainability of the
outputs. This will be most relevant in the Youth for Local Development. The YDP will address this by providing linkages with existing technical specialists available through the LDP at the suco level (the technical specialists who serve on the suco councils) and at the Sub-District levels (in Sub-District Assemblies).

*Creating parallel structures will reduce levels of ownership.* Previous Bank-experience has shown that the creation of parallel governance systems that bypass recognized leadership systems may de-legitimize project efforts. By working through existing institutions and systems the YDP will mitigate this risk.

8. **Safeguard Policies (including public consultation)**

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment (OP/BP 4.01)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Natural Habitats (OP/BP 4.04)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Pest Management (OP 4.09)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Physical Cultural Resources (OP/BP 4.11)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Involuntary Resettlement (OP/BP 4.12)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Indigenous Peoples (OP/BP 4.10)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Forests (OP/BP 4.36)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Safety of Dams (OP/BP 4.37)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)*</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Projects on International Waterways (OP/BP 7.50)</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

9. **List of Factual Technical Documents**


World Bank (2006). *Background Paper for the Timor-Leste and Development Partners Meeting*

World Bank (2007). *Timor-Leste’s Youth in Crisis: Situational Analysis and Policy Options*


10. **Contact point**

Ingo Wiederhofer

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas