



## PACIFIC COVID-19 RESPONSE PACKAGE – TIMOR-LESTE

As announced in the October 2020 budget, Australia will provide new funding of **\$304.7 million for a COVID-19 Response Package** (the Package) in the Pacific and Timor-Leste. The two-year package (FY2020-21 and 2021-22) will be a temporary and time-bound addition to Australia's existing and ongoing \$4 billion Official Development Assistance budget.

In addition to support provided to maintain Pacific aviation, the Package has two funding windows: a Vulnerability and Economic Recovery Window; and a Fiscal Crisis Window for countries facing severe fiscal impacts. The Australian Government will provide \$20 million in funding to Timor-Leste under the Vulnerability and Economic Recovery Window.

This annex outlines Australia's implementation of the Package in Timor-Leste. It is an annex to the [Timor-Leste COVID-19 Development Response Plan](#) endorsed by the Timor-Leste Council of Ministers in October 2020, that forms part of Australia's [Partnerships for Recovery](#) development policy.

### **ECONOMIC, FISCAL AND SOCIAL SITUATION**

COVID-19 has exacerbated Timor-Leste's long-term economic vulnerability. The economy was in recession in 2020 for the third time in four years, with GDP contracting by 6.8 per cent. The nation has been in extended states of emergency and lockdowns since March 2020 and recorded its first locally acquired case of COVID-19 in February 2021, leading to a major outbreak. The social, economic and health impacts of COVID-19 were exacerbated by record flooding in April 2021.

Before COVID-19, around 80 per cent of Timor-Leste's population was either living in poverty or at risk of falling into poverty. States of emergency and lockdowns have resulted in significant household economic strain. Most families have taken action that increases their vulnerability and reduces their ability to cope with further shocks, such as consuming livestock, seed stock or garden produce, borrowing money or selling productive assets.

The economic outlook for 2021 is declining from initial forecasts due to the COVID-19 outbreak and significant impacts of widespread flooding in April 2021. However,

Timor-Leste's Petroleum Fund (around USD19 billion) provides a fiscal buffer for any short-term downward trend in revenue and government expenditure.

### **ACTIVITIES**

Activities to be funded through the Package include:

**Vulnerability and Economic Recovery Window:** \$20 million in 2020-21 for the following:

1. \$13.5 million provided as earmarked budget support for the Government of Timor-Leste's National Village Development Program (PNDS). This funding will be directed at infrastructure projects as a means of economic stimulus and building social cohesion. Projects will include fresh drinking water systems, drainage and irrigation channels and local road rehabilitation. This will improve village resilience and provide much needed casual employment in rural and remote communities.
2. \$6.5 million investment in social protection programs via a new program for pregnant women and children aged 0-6 years old (Bolsa da Mae Preparation for the New Generation) and for new child disability benefits. The funding will be used to co-finance direct transfers and operation costs for the programs, working closely with the Ministry of Social Solidarity and Inclusion.

**Fiscal Crisis Window:** Timor-Leste is not currently under consideration for funding under this window.

### **POLICY AND PROGRAM ALIGNMENT**

Australia has been Timor-Leste's primary partner in its immediate COVID-19 response and early recovery and the funding under the Package builds on \$10 million provided by Australia in 2020, including \$7 million in earmarked budget support for 161 additional infrastructure projects through PNDS, benefitting over 20,000 households.

Australia's existing development program in Timor-Leste encompasses a broad range of sectors and long-term partnerships in the areas of social protection, agriculture, health, education, private sector development, good governance, rural roads, village infrastructure, police cooperation and gender equality. These existing

programs combined with new resources have been deployed to support Timor-Leste's health preparedness and response and economic response to COVID-19 in line with the priority pillars under Partnerships for Recovery.

### **GENDER EQUALITY AND WOMEN'S EMPOWERMENT**

The impacts of COVID-19 on Timor-Leste society and economy have been severe, with women and children adversely affected. Economic opportunities for women have decreased due to the loss of jobs in hospitality, retail and services. While struggling with loss of income, and the consequent reduction in health and well-being, as well as school closures, 44 per cent of women have reported additional domestic care work, reducing their ability to access services and livelihood opportunities. Globally, rates of violence against women and girls have increased and we expect that this will have been the case in Timor-Leste where rates of violence pre-pandemic were already high.

Australia's investments under the Package will target women, girls and other vulnerable groups by:

- Enabling the Australian government to advocate for gender responsive programming in government spending.
- Supporting women's leadership and participation in community decision-making and economic opportunities through PNDS. PNDS is a national mechanism supporting women's economic empowerment and leadership. Around 40 per cent of community management roles for PNDS are held by women and the program has strong targets for women's labour participation. The program supports inclusive decision making on village infrastructure, which strengthens social cohesion.
- Directly targeting social assistance schemes to benefit women and their families, increasing their access to resources and services.

### **PERFORMANCE MANAGEMENT**

The progress of each investment under the Package will be tracked through country-specific monitoring and evaluation frameworks. Monitoring will be undertaken by DFAT with delivery partners and reported through DFAT's regular reporting processes.

Results under the package will contribute to reporting against indicators including the following:

From the Timor Leste COVID-19 Development Response Plan Performance Framework:

- Number of people (M/F) involved in community-based decision-making in local infrastructure, including percentage of women's only priorities chosen by villages
- Number of people (M/F and people with a disability) reached with new or improved social protection programs
- Examples of policy and technical advice on stimulus measures and longer-term economic recovery

From the Pacific COVID-19 Response Package Design Framework:

- Number of households benefitting from improved infrastructure attributable to Package
- Total number of men and women estimated to have benefited from programs and services maintained with Package budget support