

MILLENNIUM CHALLENGE ACCOUNT TIMOR-LESTE COMPACT

2024 Theme: Laying the Essential Groundwork and Systems for
Successful Implementation of the Compact



2024 Annual Progress Report January – December 2024

Cover Photo: *Negotiation team from the Min. of Justice, along with BTL and MCA-TL presenting the land compensation report for the WWTP to the Ministry of Finance for budget approval*

Photo credit: *Mr. Frederico Soares, Beé Timor-Leste E.P (BTL) Media Officer*

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MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

List of Acronyms

S/n.	Acronym	Full form
1	ACETL	<i>Acção Conjunto para a Educação</i> , Timor-Leste (Joint Action for Education, TL)
2	ANLA	<i>Autoridade Nacional de Licenciamento Ambiental</i> (National Authority for Environmental Licensing)
3	BTL	Bee Timor-Leste (also referred to as BTL E.P., <i>Beé TL</i>)
4	CDT-TL	Compact Development Team Timor-Leste
5	CFF	Compact Facilitation Fund
6	CoE	Center of Excellence
7	CP	Conditions Precedent
8	DAI	Development Alternatives International, Inc.
9	DED	Detailed Engineering Design
10	DNRAS	<i>Direção Nacional Para Regulação de Água E Saneamento</i> (DNRAS) [the National Directorate of Water and Sanitation Regulation]
11	EIF	Entry into Force
12	EIS	Environmental Impact Statement(s)
13	EMP	Environmental Management Plan(s)
14	ESIA	Environmental and Social Impact Assessment
15	GoTL	Government of Timor-Leste
16	IEA	Implementing Entity Agreement
17	ITG	Interministerial Technical Group
18	ITT	Indicator Tracking Table
19	M&E	Monitoring and Evaluation
20	MCA-TL	Millennium Challenge Account Timor-Leste (also referred to as MCA)
21	MCC	Millennium Challenge Corporation
22	MHESC	Ministry of Higher Education, Science and Culture
23	MoE	Ministry of Education
24	MoF	Ministry of Finance
25	MoJ	Ministry of Justice
26	MoPW	Ministry of Public Works
27	NOD	Nicholas O'Dwyer
28	OECD	Organization for Economic Cooperation and Development
29	OSHG	On-site Sodium Hypochlorite Generation
30	PAH	Project-Affected Household (also PAHs)
31	PAP	Project-Affected Person (also PAPs)
32	PISA	Program for International Student Assessment
33	PMC	Project Management Consultant
34	RAP	Resettlement Action Plan
35	TALENT	Teaching and Leading the Next Generation of Timorese
36	TIP	Trafficking in Persons (also TIPs)
37	TWG	Technical Working Group
38	UNTL	<i>Universidade Nacional Timor Lorosa'e</i> (National University of Timor Leste)
39	WEEE	Women's Economic Empowerment in Education (also WEE)
40	WSD	Water, Sanitation, and Drainage
41	WWTP	Wastewater Treatment Plant

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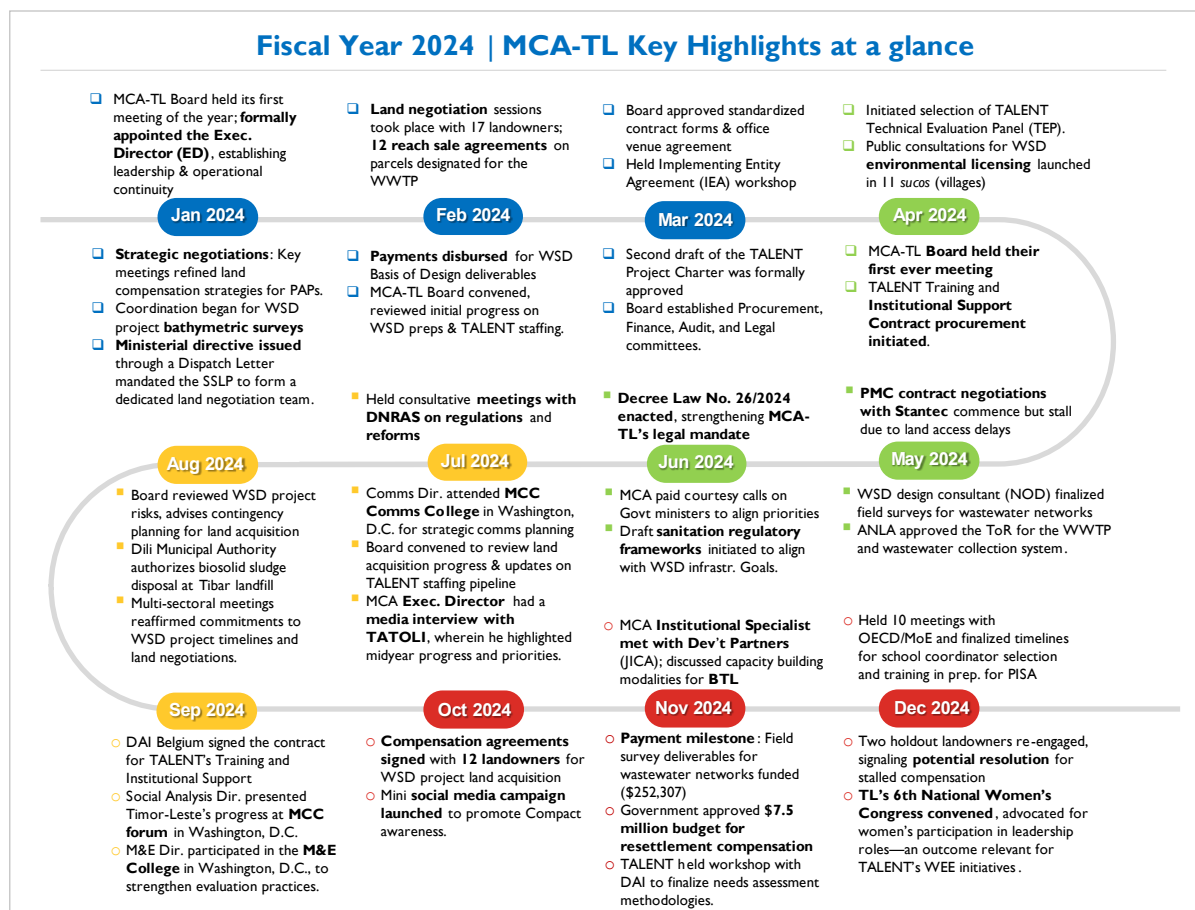
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Executive Summary

The infographic depicts a timeline of key highlights, important events, pivotal moments, and milestones reached in the reporting period. The subsequent narrative describes the executive summary which synthesizes our comprehensive annual report.



The Millennium Challenge Account Timor-Leste (MCA-TL) marked 2024 as a pivotal year, dedicated to laying the essential groundwork for the successful implementation of the USD 484 million Timor-Leste Compact. Operating in the critical pre-Entry into Force (EIF) phase, MCA-TL focused intensely on establishing robust governance structures, advancing complex technical preparations for its two cornerstone projects – Water, Sanitation, and Drainage (WSD) and Teaching and Leading the Next Generation of Timorese (TALENT)—and navigating the intricate landscape of stakeholder engagement and institutional requirements. This period, while characterized by significant progress in foundational activities, also underscored the inherent challenges of launching a large-scale development program, demanding adaptive management and strategic foresight. This report details the substantial achievements, persistent hurdles, and key lessons learned, demonstrating MCA-TL's readiness to transition into full implementation in 2025.

Water, Sanitation, and Drainage (WSD) Project



The WSD project, aiming to reduce fecal pathogen contamination and improve public health in Dili, saw substantial advancement in its technical preparation phase, yet faced the most significant strategic challenges of the year. The Detailed Engineering Design (DED) consultant, Nicholas O'Dwyer (NOD), achieved approximately 25% completion, delivering

crucial outputs including the preliminary Basis of Design Report (BoDR) for the Wastewater Treatment Plant (WWTP), contract pre-qualification documents for both WWTP/Pump Stations and the Wastewater Networks, and initial field survey reports. The Environmental and Social Impact Assessment (ESIA) process also progressed significantly with the formal approval of the Terms of Reference (TOR) for both project phases by the National Authority for Environmental Licensing (ANLA), following extensive public consultations across eleven *Sucos* (villages).

However, the WSD project's timeline was critically impacted by persistent delays in land acquisition for the WWTP and associated pump station sites. This bottleneck, stemming from complex negotiation processes and landowner compensation finalization, directly hindered the DED consultant's ability to conduct essential geotechnical investigations and finalize designs. Analytically, this land access issue created cascading negative effects: it prevented the timely finalization of the DED, which in turn contributed significantly to the inability to finalize and award the crucial Project Management Consultant (PMC) contract. The suspension of the PMC procurement represents a setback, requiring a revised timeline and re-initiation once land access is fully secured.

Despite these hurdles, concerted efforts yielded significant breakthroughs in land acquisition towards year-end. Following intensive negotiations facilitated by the Inter-ministerial Technical Group (ITG) and supported by MCA-TL, agreements were secured with 12 Project-Affected Households (PAHs) of the 17 previously identified PAHs. These include five land plots (3.8 hectares), seven structure owners, and two tree/plants owners for the WWTP site. The subsequent approval of a US\$7.5 million compensation budget by the Council of Ministers in November, and the successful disbursement of \$4.65 million to 11 PAHs, marked crucial milestones. Furthermore, securing authorization from the Dili Municipal Authority to initiate discussions with the landfill operator for biosolid sludge disposal at the Tibar landfill represents significant progress on satisfying a key Compact condition precedent. Institutional strengthening efforts also advanced, notably through collaborative work with the National Directorate of Water and Sanitation Regulation (DNRAS) to develop Timor-Leste's nascent regulatory framework for the sector.

Teaching and Leading the Next Generation of Timorese (TALENT) Education Project



The TALENT project, focused on improving secondary education student learning outcomes through enhanced teacher training and school leadership, made considerable strides in establishing its operational framework and initiating key procurements. The successful onboarding of the Managing Director for Education in March and the Secondary Education Director in September provided crucial leadership capacity. A major achievement was the signing of the Training and Institutional Support contract with Development Alternatives International, Inc. (DAI) in September, a foundational element for developing course materials and delivering training programs to teachers and school leaders. Terms of Reference were also substantially developed for the critical Design and Supervision contract for the Center of Excellence (CoE) infrastructure and for the cross-cutting Women's Economic Empowerment in Education (WEEE) consultancy.



Strategically, MCA-TL proactively advanced the Program for International Student Assessment (PISA) for Schools initiative. The PISA for School Assessment serves as a baseline to determine students' performance prior to the implementation of the TALENT project. This evaluation will be complemented by the assessment carried out by DAI to identify the knowledge and skills gaps of teachers and school leaders at secondary education level. Securing the Ministry of Education's Expression of Interest to the OECD and establishing a dedicated Technical Working Group (TWG) demonstrated strong government buy-in and laid the groundwork for implementing this assessment, which will provide training to the Ministry of Education in student assessment and vital baseline data for the TALENT project's impact evaluation. For the TALENT

project, challenges were primarily related to staffing, particularly the delay in recruiting the CoE Infrastructure Manager, which impacted the finalization of the Design and Supervision contract TOR.

Governance, Management, and Cross-Cutting Themes



The year 2024 was foundational for MCA-TL's own institutional capacity. The Governing Board was fully constituted and held six meetings, providing crucial strategic oversight and making key decisions regarding leadership appointments, committee structures, contract approvals, and risk assessment. The legal framework was solidified through the enactment of Decree Law No. 26/2024, refining MCA-TL's mandate. Compact Facilitation Funding (CFF) was effectively utilized to support essential preparatory activities, including consultant procurements and operational setup. Strategic partnerships with key government ministries (Finance, Justice, Public Works, Education, Higher Education) were actively cultivated, particularly through the vital Inter-ministerial Technical Group addressing land issues.

Cross-cutting functions saw significant progress. Social analysis was integrated into WSD planning (ESIA, RAP, TIPs risk assessment) and TALENT design (WEEE strategy). Communications efforts focused on establishing foundational platforms, including the launch of the MCA-TL website and targeted media engagement.

Monitoring, Evaluation, and Learning (MEL): Proactive Planning and Capacity Enhancement



Recognizing M&E as central to adaptive management and accountability, MCA-TL took proactive steps despite being pre-EIF. Firstly, development of the comprehensive M&E Plan work plan commenced in late 2024. This anticipatory action, undertaken well ahead of the formal 180-day post-EIF deadline for M&E Plan approval, demonstrates strategic foresight, ensuring MCA-TL is positioned to rapidly finalize and operationalize its results framework upon Compact entry into force. Secondly, participation in the MCC M&E College event in Washington, D.C. provided significant capacity enhancement and strategic insights. Key takeaways, such as the critical linkage between Cost-Benefit Analysis (CBA) projections and performance indicators for real-time tracking of economic impacts, and best practices in adaptive management and ethical data collection, are being integrated into MCA-TL's approach, strengthening its ability to rigorously measure performance and make evidence-based adjustments throughout implementation.

2025 Outlook: Poised for Implementation



The 2024 reporting period marked a pivotal year for MCA-TL, transitioning from planning to pre-implementation readiness. While navigating the complexities inherent in the pre-EIF phase, MCA-TL successfully established critical institutional structures, advanced technical preparations, and forged essential partnerships in 2024. The persistent challenge of land acquisition, particularly for the WSD project, remains the most critical factor influencing the EIF timeline but saw tangible progress late in the year. Moving into 2025, priorities center on resolving remaining land issues, completing key staff recruitment (including the WSD Directors and TALENT CoE Director), finalizing and launching major procurements (including the revised WSD PMC and TALENT design/ supervision firms), and fulfilling all conditions precedent to achieve EIF. Based on the foundational work completed in 2024, MCA-TL is poised, with unwavering commitment from the Government of Timor-Leste (GoTL) and MCC, to transition effectively into the implementation phase and deliver on the Compact's promise of sustainable economic growth and poverty reduction for Timor-Leste.

1. Introduction

The Millennium Challenge Account Timor-Leste (MCA-TL) is a testament to the commitment of the Democratic Republic of Timor-Leste and the United States of America towards sustainable economic development and poverty reduction. Established under Government Decree Law No. 96, dated December 30, 2022, MCA-TL operates under the tutelage of the Ministry of Finance and plays a pivotal role in managing and facilitating the implementation of the Millennium Challenge Compact. The Compact, a five-year strategic initiative, will drive transformative economic growth, empower Timorese communities, and strengthen critical sectors that will propel Timor-Leste towards a prosperous and self-reliant future.

The Compact Agreement, a collaboration between the Millennium Challenge Corporation (MCC) and the Government of Timor-Leste, represents a landmark investment in the country's development trajectory. The Compact was signed in July 2022 with a commitment of U.S. \$484 million—\$420 million contributed by MCC and a co-financing commitment of \$64 million from the Government of Timor-Leste. This initiative aims to address fundamental challenges that impede economic growth and human capital development. MCA-TL will ensure these resources are effectively and transparently utilized to achieve the Compact's objectives.

The Compact, currently in its mobilization phase pending Entry into Force (EIF) to be determined in mutual agreement by the Government of Timor-Leste and the U.S. Government, prioritizes two transformative projects: the Water, Sanitation, and Drainage (WSD) project and the Teaching and Leading the Next Generation of Timorese (TALENT) project. The WSD project objective is to reduce fecal pathogens in piped and stored drinking water and groundwater. It is designed to improve access to clean and safe drinking water, reduce the prevalence of waterborne diseases, and improve drainage in Dili through the introduction of the country's first centralized wastewater treatment system, ensuring healthier communities and improved quality of life. Meanwhile, the TALENT project objective is to improve student learning outcomes at the secondary education level through providing targeted training for teachers and school leaders in the areas of pedagogy, students assessment as well as school leadership and school management. These interventions align strategically with Timor-Leste's national development agenda, reinforcing the country's long-term aspirations for economic resilience and human capital advancement, in alignment with Association of Southeast Asian Nations (ASEAN) ascension.

As the entity responsible for implementing the Compact program, MCA-TL is committed to a results-driven and inclusive approach, ensuring the active participation of key stakeholders, including government institutions, civil society, and the private sector. By fostering collaboration, leveraging data-driven decision-making, and upholding principles of transparency and accountability, MCA-TL aims to create lasting impacts that extend beyond the five-year implementation period.

This annual report, covering the period from January 01, 2024, through December 31, 2024, provides an in-depth overview of our progress, achievements, and the lessons learned prior to EIF, offering a transparent reflection on the journey towards a stronger, healthier, and more prosperous Timor-Leste. This report is essential for informing key stakeholders, including the Government of Timor-Leste, the U.S. Government, the people of Timor-Leste, and the global community, about our pre-EIF implementation progress, successes, and challenges. By sharing these insights, MCA-TL seeks to foster continued engagement and support for Timor-Leste's sustainable development.

1.1. Transition planning



The transition from the Compact Development Team Timor-Leste (CDT-TL) to the Millennium Challenge Account Timor-Leste (MCA-TL) was rooted in formal legal frameworks and concerted managerial efforts. Government Decree Law No. 96/2022 on December 30, 2022, and refined via an amendment with Decree Law No. 26/2024 on June 5, 2024, constituted the legislative backbone for establishing MCA-TL as a legal entity charged with overseeing Compact implementation. This adjustment, prompted by initial operational insights, strengthened the entity's legal and administrative foundation, ensuring alignment with the ambitious goals of the Compact signed on July 19, 2022. The transition process from the CDT-TL to MCA-TL included the designation of MCA-TL leadership roles and board members, transfer of government in-kind contributions (such as vehicles), and the gradual handover of operational responsibilities and CDT-TL institutional memory.

In the 2024 reporting period, substantial progress was evident in the development of MCA-TL's organizational structure and the recruitment of staff with specialized expertise in finance, administration, monitoring and evaluation, legal, and project management. Certain vacant positions, including the Managing Director role in the Water, Sanitation, and Drainage (WSD) project, and the CoE Director for the TALENT project remain recruitment priorities to be undertaken in the next reporting period. Additionally, several handover planning milestones have been addressed, notably the endorsement for MCA-TL staff to gain access to the Government's Free Balance system for budget management.

2. MCA-TL organizational structure, governance and oversight

2.1. Recap of 2024 Board meetings



The MCA-TL Governing Board was created under decree law 96/2022 on December 30, 2022, establishing the Board as part of its structure. According to Article 9 of this decree, an installation commission operates until the appointment of the last member of the MCA-TL Board, known as the “*Conselho Diretivo*,” at which point the installation period ends, and the Board becomes operational. Per government dispatch number “02/PCM/IV/202,” the MCA-TL Board was formed on April 27, 2023.

The MCA-TL Board is the primary governing body responsible for strategic oversight and decision-making. It also ensures alignment with MCA-TL's mandate to implement the Millennium Challenge Corporation (MCC) Compact. Composed of appointed members representing diverse expertise, the Board convened regularly in 2024 to address critical governance, operational, and project-related matters. During the reporting period, the Board provided strategic direction, ensured accountability, and maintained governance standards essential for the successful implementation of the Compact.

In 2024, the Board conducted a total of six meetings, demonstrating its active engagement in guiding MCA-TL's operations. These meetings occurred in January, February, March, July, August, and November with a structured quarterly meeting schedule established during the March meeting.

Throughout these meetings, the Board made several high-level strategic decisions that significantly shaped MCA-TL's direction and operations. One of the Board's first major actions was the formal appointment of the Executive Director in January, including the approval of his employment agreement and remuneration structure. This leadership appointment was crucial for establishing operational continuity and executive direction.

The Board demonstrated strong governance oversight by establishing four specialized committees—Procurement, Finance, Audit, and Legal during its March meeting. This committee's structure enhances

the Board's ability to provide focused supervision in key operational areas while ensuring appropriate checks and balances. The Board also approved standardized contract forms for MCA-TL, establishing consistent legal frameworks for the organization's engagements.

Infrastructure development featured prominently in the Board's strategic decisions. The approval of the office venue agreement in March, securing an operational office for MCA-TL. More significantly, the Board engaged deeply with the WSD project, one of MCA-TL's cornerstone initiatives. In August, the Board carefully evaluated project risks related to land acquisition for the wastewater treatment plant, biosolids waste management, and potential timeline extensions beyond the Compact Term. This strategic risk assessment led to the Board advising the Executive Director to further investigate contingencies with the project consultant, demonstrating the Board's commitment to project viability and success.

The Board also showed decisive action in procurement oversight, unanimously deciding to delay the approval of the MCA-TL website development contract pending cost analysis, emphasizing cost-efficiency and cybersecurity. This decision also emphasized the Board's interest in ensuring competitive, high-quality bids and encouraging participation of local firms.

Land acquisition—a requirement for the WSD project—emerged as a critical cross-cutting theme during the meetings, with the Board actively monitoring negotiations with the Ministry of Justice regarding compensation processes and timelines for land to be vacated for project implementation. The Board's engagement with these complex land issues demonstrated its commitment to addressing fundamental prerequisites and conditions precedent for project success.

Throughout 2024, the MCA-TL Board of Directors made strategic decisions that advanced MCA-TL's mandate while ensuring proper oversight, risk management, and operational effectiveness. These actions underscored the Board's commitment to supporting transformative development outcomes while adhering to Timor-Leste's legal and regulatory frameworks, hence laying the foundation for its long-term sustained impact of the Timor-Leste Compact.

2.2. Synergies and collaboration



MCA-TL's partnerships extend across multiple line ministries, notably the Ministry of Finance, which acts as the principal government representative to the Millennium Challenge Corporation (MCC). Table 1 summarizes the key partners engaged during the reporting period. For the WSD project, critical allies included the Ministry of Public Works, Bee Timor-Leste, the Secretary of State for Electricity and Water, Sanitation and Drainage, the Ministry of Health, the Ministry of State Administration, and the Dili Municipal Authority. These partners tackle multifaceted challenges like land acquisition and infrastructure development, ensuring project alignment with national priorities.

For the TALENT project, MCA-TL collaborated with the Ministry of Higher Education, Ministry of Education, SEFOPE, *Universidade Nacional Timor Lorosa'e* [National University of Timor Leste] (UNTL), and the Education Director in Dili Municipality. These relationships anchored the project in Timor-Leste's educational framework, enhancing teacher training and institutional capacity. A notable collaboration is the Inter-Ministerial Meeting, initiated by the Minister of Finance, uniting ministries such as Finance, Justice, Public Works, and State Administration to resolve land issues for the WSD Project—an exemplar of cross-governmental synergy.

Table 1: Key stakeholders engaged during the reporting period

S/no.	Project		Remarks
	WSD	TALENT	
1.	Ministry of Public Works	Ministry of Higher Education	The Direct implementing ministries
2.	Bee Timor-Leste	Ministry of Education	Beneficiary Ministry
3.	Secretary of State for Electricity, and Water, Sanitation and Drainage	SEFOPE	Direct partner
4.	Ministry of Health	UNTL	Direct partner
5.	Ministry of the State Administration	Education Director in Dili Municipality	Direct partner
6.	Dili Municipal Authority		Direct partner for Tibar Landfill

As indicated above, MCA-TL's success hinges on robust partnerships forged with key government agencies and stakeholders, reflecting a collaborative ethos essential for the compact.

Moreover, the MCA-TL website (<https://www.mca.tl>) highlights additional engagements, such as courtesy meetings with the Minister of Education and public consultations, reinforcing ties with both governmental and community stakeholders. These partnerships are not merely operational necessities but strategic alliances that amplify MCA-TL's impact, ensuring the compact's objectives resonate across Timor-Leste's developmental landscape.

3. Compact Facilitation and Communication

3.1. Compact Facilitation Fund (CFF) implementation



Upon signing of the Compact in July 2022 and satisfaction of certain pre-requisites, the Government of Timor-Leste became eligible to access Compact Facilitation Funding (CFF) to fund MCA-TL start up and project preparation activities during the compact mobilization phase. A total of USD 51,051,629 in CFF has been allocated for the preparation phase to support the creation of MCA-TL, staff recruitment, office procurement, and the engagement of firms for conceptual designs—essential precursors to the EIF. During the reporting period, no amendments to the grant agreement are explicitly noted, suggesting stability in the funding framework, though administrative hurdles in accessing the Government of Timor-Leste's Free Balance system indicate ongoing integration efforts.

The Government of Timor-Leste complements this with a USD 64 million contribution to the WSD project, structured across three tranches: USD 11 million in Year Zero, USD 41 million in Year One, and USD 12 million in Year Two. Conversely, the \$11 million tranche was successfully deposited into the MCA-TL Permitted Account in December 2024. This commitment, earmarked for household connections and additional infrastructure, underscores national ownership. The CFF's utilization is pragmatic, focusing on readiness, while the government's phased funding ensures sustained support. Challenges in financial system integration are being addressed, promising smoother budget execution as MCA-TL matures.

3.2. Public relations, communications and outreach



In 2024, the MCA-TL communications department worked with other departments within MCA-TL, including WSD, TALENT, and the Social Analysis Departments, to carry out

media engagement activities. These efforts aimed at raising public awareness and promoting transparency regarding the Compact.

The focus was primarily on media engagement and digital outreach via social media, as no public events or extensive community awareness initiatives were conducted during this period. Most information was shared through MCA-TL's official social media platforms, including the Millennium Challenge Account [Facebook](#) and [LinkedIn](#) pages. Additionally, one-on-one interviews were conducted with major media outlets, such as [Tatoli](#) and [Rádio Televisão Timor-Leste](#) (RTTL), to ensure widespread coverage.

The communications department, in collaboration with the Information and Technology Department, hired a local consultant to develop the MCA-TL website. The website (<https://www.mca.tl>) is now live but requires content improvements which will be enhanced during the next reporting period.

Below are the details of the activities carried out by the communications department in 2024.

Stakeholder engagement on communications

The WSD and TALENT projects, along with the Social Analysis department took the lead in actively engaging with government officials, civil society organizations, local communities, development partners, and the private sector. Their efforts strengthened collaboration and ensured alignment with national development priorities. The Communications department supported these activities by facilitating media coverage and enhancing public awareness through social media platforms.

The MCA-TL project teams held regular meetings with key stakeholders, including contractors, and government ministries such as the Ministry of Education, the Ministry of Public Works, Bee Timor-Leste, and others.

3.2.1. Media coverage



During the reporting period, MCA-TL strengthened its relationships with local media outlets, including television and online newspapers to ensure widespread coverage of Compact-funded initiatives. This coverage contributed to a more informed public and increased visibility. MCA-TL maintained strong collaboration with state-owned media, including Timor-Leste Radio and Television (RTTL) and TATOLI, to effectively amplify its messages to the public. These partnerships ensured broader dissemination of key information regarding project milestones, agreements, and developments, reinforcing transparency and public engagement.

Throughout the reporting period, MCA-TL issued several press releases highlighting major milestones, including the decree law on the establishment of the MCA-TL as a public institution¹, the land acquisition agreements between the Ministry of Justice and affected households.²³ These press releases generated significant media coverage, increasing public awareness and understanding of the Compact's progress.

Additionally, MCA-TL coordinated multiple interviews with the Executive Director to provide updates on the Compact's implementation. Ambassador Constâncio Pinto participated in interviews with RTTL and TATOLI, offering insights into the project's progress and objectives. On July 24, 2024, TATOLI⁴ conducted an exclusive interview with the Executive Director, further strengthening media engagement.

¹ [TATOLI news on the establishment of the MCA-TL I. P](#)

² Timor-Leste Minister of Justice Sergio Hornai signed land acquisition with affected households in October 2024: [TATOLI News](#)

³ [STL news on the land acquisition agreement with affected households](#)

⁴ MCA-TL Executive Director Constâncio Pinto's [TATOLI Interview](#) in July 2024

3.2.2. Public awareness and communications efforts



MCA-TL has made significant strides in raising public awareness about its projects and initiatives. On November 7 and 21, 2024 and December 5, 2024, A mini online social media campaign was launched to introduce the Compact projects and clarify the roles of MCC and MCA-TL. This campaign, which ran for two weeks, focused on educating communities about the benefits of water, sanitation, and human capital development initiatives under the Compact. Additionally, the MCA-TL Communications Director participated in the MCC Communications College in October 2024, further strengthening the capacity for strategic communications. The MCC Communications College provided an opportunity for the Communications Director to engage with counterparts from other MCC Compact projects, gaining insights into best practices and strategies for effective communication. The event focused on key areas essential for the successful implementation of Compacts, particularly in the lead-up to the Entry into Force (EIF).

One of the main takeaways from the event was the importance of creating a structured communication plan to build momentum before the EIF. This involved developing a “drumbeat” strategy—gradually increasing public awareness and stakeholder engagement through targeted messaging, media outreach, and storytelling. The event also emphasized the significance of writing compelling success stories to showcase the tangible impact of Compact projects.

The Communications Team is actively working with the Procurement Unit to process the production of a series of informational videos, animations, and infographics aimed at enhancing public understanding of key Compact initiatives in 2025. These materials will simplify complex information, highlight project benefits, and showcase real-life impacts on communities. In addition, the team is coordinating the printing of outreach materials to ensure broader dissemination of essential project information, reinforcing MCA-TL’s commitment to transparency and stakeholder engagement.

MCA-TL Communications department staffing



In 2024, the MCA-TL communications department initially operated with the support of a Communication and Outreach Consultant, who worked independently until the Communications Director joined in September 2024. The consultant’s contract ended in December, leaving the department with only one full-time staff member. As the demand for communications efforts grew, the lack of additional personnel limited the department’s ability to fully execute its planned strategies. This resulted in a temporary shift toward prioritizing digital engagement over other communication activities. To address this gap and meet the increasing workload, MCA-TL will recruit a Communications Manager. This new role will significantly enhance the department’s capacity to manage outreach, strengthen strategic communications, and provide comprehensive support to MCA-TL’s ongoing and future initiatives. With the addition of a Communications Manager, the department will be better positioned to expand its outreach efforts, improve engagement with stakeholders and the public, and effectively amplify MCA-TL’s messaging.

Conclusively, in 2024, the MCA-TL communications department played a vital role in enhancing public awareness and transparency around the Compact through media engagement and digital outreach. While no large-scale public events or direct community engagement occurred, MCA-TL effectively leveraged social media, media coverage, and supported stakeholder collaboration to disseminate essential information. The department also prioritized the development of its website (<https://www.mca.tl>) to function as a comprehensive hub for Compact-related updates. In support of key initiatives, communications efforts focused on promoting the WSD and TALENT projects and the Gender and Social Inclusion Department’s work.

4. 2024 Compact Progress and Accomplishments

4.1. Water, Sanitation, and Drainage (WSD) project

4.1.1. WSD project overview and objectives



The Government of Timor-Leste (GoTL) is partnering with the Millennium Challenge Corporation (MCC) to implement a Compact aimed at addressing the country's limited access to clean water, which is primarily exacerbated by high levels of fecal contamination.

The Water, Sanitation, and Drainage (WSD) project goal is to reduce fecal pathogens in piped and stored drinking water and groundwater.

To achieve its goal, the WSD project will implement activities aimed at:

1. construction of an On-site Sodium Hypochlorite Generation (OSHG) plant to ensure safe and reliable wastewater treatment and disposal, and water disinfection for the city.
2. development of Timor-Leste's first centralized wastewater collection and treatment system, providing scalable wastewater management as the city expands.
3. improvements to the drainage network system within the sanitation coverage area in Dili to prevent flooding and improve wastewater management.
4. policy and institutional reforms to strengthen water and sanitation management systems, and
5. social and behavioral change initiatives aimed at promoting improved sanitation practices at the household level.

Water quality tests conducted jointly by the Government of Timor-Leste and MCC in 2019 confirmed the widespread positive detection of *E. coli* and total coliforms in drainage canals. *E. coli* is the most specific indicator of fecal pathogen contamination. Thus, it can be concluded that the water and soils in the drainage canals are contaminated with fecal pathogens from wastewater. Moreover, according to the 2016 Timor-Leste Demographic Health Survey⁵, the prevalence of diarrhea among children under five years old was reported to be approximately 15.5%.

By addressing the root causes of water contamination and enhancing sanitation infrastructure, the WSD Project will significantly improve public health, foster environmental sustainability, and stimulate economic development across Timor-Leste.

4.1.2. Key activities and milestones

During the 2024 reporting period, the WSD project was in its preparatory phase, focusing on the development of a Detailed Engineering Design (DED) and a Cost Recovery Plan. These preparatory activities are essential to ensure all necessary project documentation is completed before the Compact enters into force and full-scale implementation begins. The following sections outline these activities in detail.

4.1.2.1. Preparation of the Basis of Design (BOD) and Detailed Engineering Design (DED)

The preparation of the BOD and DED is a critical step in ensuring that the WSD project meets all technical, regulatory, and contractual requirements. It involves producing comprehensive designs, assessing project risks and mitigation strategies, and preparing a detailed budget covering both capital and operational expenditures. This phase builds upon the feasibility study conducted between February 2020 and June 6, 2022.

⁵ <https://www.dhsprogram.com/publications/publication-fr329-dhs-final-reports.cfm>

Purpose of the consultant designer for BOD and DED

The design consultancy's specific aims include:

1. Design Preparation:

- Develop a basis for the design report for the *Fédération Internationale des Ingénieurs-Conseils* or International Federation of Consulting Engineers FIDIC Yellow Book contract, covering the Wastewater Treatment Plant, Water Disinfectant Plant, and Outfall.
- Prepare preliminary and detailed designs for the Design-Bid-Build contract.

2. Environmental Impact Assessments: Prepare Environmental Impact Statements (EIS) and Environmental Management Plans (EMP) required for Timor-Leste's environmental licensing process.

3. Develop Technical Requirements:

- Employer's Requirements for the Design-Build Yellow Book contract.
- Detailed design drawings, technical specifications, and Bills of Quantities (BOQs) for the Design-Bid-Build Red Book contract.

4. Tender Documentation: Create tender documents in compliance with FIDIC standards for both Design-Bid-Build (Red Book) and Design-Build (Yellow Book) contracts.

5. Environmental Licensing: Obtain local environmental licenses for constructing the wastewater networks.

6. Resettlement Action Plans (RAP): Identify Project-Affected Persons (PAPs) and establish compensation plans in line with MCC guidelines and International Finance Corporation (IFC) Performance Standards.

7. Gender and Social Inclusion Plan: Address potential gender and social inclusion risks, providing recommendations for risk management and identifying opportunities to promote inclusion during implementation.

8. Final Environmental and Social Impact Assessment (ESIA): Prepare a comprehensive ESIA alongside final EIS/EMP documents and detailed designs for MCA-TL approval.

Selection process for the consultant designer

To advance the project, the MCC Interim Procurement Agent (IPA) initiated a procurement process in September 2022 for consultancy services. These services included the preparation of designs, tender documents, ESIA, and RAP. The procurement process concluded on September 22, 2023, with the selection of Nicholas O'Dwyer (NOD) as the design consultant. NOD is responsible for delivering the project design and other required documentation to ensure compliance with the Compact agreement and project objectives.

Progress and deliverables of the consultant designer activities

The design consultancy officially commenced in October 2023. The consultant's work is structured around multiple tasks, with 35 key deliverables (including two optional tasks) to be completed within the contract period. The tasks are interdependent, and the completion of certain tasks is contingent upon the successful delivery of others.

As of December 2024, the project had achieved significant progress, with 25% of the work completed. The project initiation and contract prequalification documents were completed in full (100%), while

some tasks remain ongoing such as the completion of field survey activities, Geotechnical Investigation for the networking system, and preparation of the basis of design for both WWTP and the Networking. As indicated in Table 2, several key milestones have already been accomplished, as outlined in the table below.

Table 2: List of deliverables accomplished by consultant designer 2024

Tasks	Detailed Deliverables	Draft due date from start date (in business days)	Actual deliverable date	Status
Field Survey	Field survey – wastewater (WW) Networks	120 days	Aug 30, 2024	Completed and approved
Basis of Design	Basis Design/Basis of Design Report (BODR)/Preliminary Drawings – WWTP	180 days	Apr 22, 2024	Completed and approved
ESIA, EMP, TIP, EL Application	ANLA scoping documents (WWTP/PS)	210 days	Jan 22, 2024	Completed and approved
	ANLA scoping documents (WW Networks)	210 days	Jan 22, 2024	Completed and approved
Pre-Qualification of Contractors	Contract pre-qualification document (WWTP/PS)	180 days	Apr 17, 2024	Completed and approved
	Contract pre-qualification document (WW Networks)	180 days	Jun 17, 2024	Completed and approved

The consultant submitted several deliverables as part of the project’s design phase; however, certain reports were not submitted according to the agreed-upon schedule. These delayed reports include the field survey report, geotechnical investigation report, and acid soil investigation report for the wastewater collection system. The delays were primarily caused by ongoing delays in accessing the WWTP site for site investigations due to ongoing delays in WWTP and PS land acquisition. Additionally, the absence of the Project Management Consultant (PMC) further impacted on the evaluation process for the consultant’s deliverables. As a result, MCA-TL had to rely on MCC’s due diligence consultant to review and provide

technical feedback on the submitted reports before they could be approved.

During the period, we experienced challenges which affected the project’s progress. These include the deferral of the water supply project by the GoTL, which was originally intended to be funded by the Asian Development Bank (ADB) and the World Bank (WB). Additionally, difficulties in securing the



Figure 1: Nicholas O'Dwyer team of conducting a field survey for the drainage line in Rua de Aidik Hun Tuan

land required for the Wastewater Treatment Plant (WWTP) and pump station sites impacted the timeline and planning for the project.

Details of consultant designer fees and payment.

The total value of the contract for these activities is \$23,669,028.00, with the work scheduled for completion within a 90-months period. To facilitate the consultant's progress in project preparation, payments were made for various approved deliverables previously mentioned, utilizing the Compact Facilitation Fund.

It is important to note that the payments made in 2024 for this project were not fully aligned with the project timeline and contractual terms. It was due to uncertainties regarding site access for the WWTP and pump station projects, as well as the client's evaluation of the report. This misalignment created challenges in ensuring that the consultant and the client had the necessary resources to complete the remaining deliverables and meet key project milestones. Efforts are underway to address these payment discrepancies and to ensure that the project progresses without further delays.

A total value of \$3,175,044 which accounted for 13.4% of the contractual value was paid was made in 2024. Table 3 depicts the deliverables while Table 4 provides a summary of the Detailed Engineering Design consultant contract.

Table 3: Payment details for completed deliverables (2024)

Task	Detailed Deliverables	Payment date	Remarks
Project initiation	Final work plan	Mar 11, 2024	Completed
Field Survey	Field survey – wastewater networks	Nov 20, 2024	Completed
Basis of Design	Sequence of construction/ commissioning/ contract packaging/ section	Feb 2, 2024	Completed
	Basic design/Basis of Design Report (BODR)/Preliminary. Drawings – WWTP	Jul 31, 2024	10% balance to be paid
ESIA, EMP, TIP, EL Application	ANLA scoping documents (WWTP/PS)	May 2, 2024	Completed
	ANLA scoping documents (WW Networks)	May 2, 2024	Completed
Contract Pre-Qualification	Contract pre-qualification document (WWTP/PS)	Aug 6, 2024	Completed
	Contract pre-qualification document (WW networks)	Aug 6, 2024	Completed

Table 4: Summary of the Detailed Engineering Design consultant contract

Description of contract	Consultancy services for the preparation of designs, tender documents, Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) for the Water, Sanitation and Drainage project
Contract number	RFP/TTP/2022/QCBS/CS/004
Contract effective/ signing date	Sep 22, 2023
Contract amount	\$23,669,028.00
Payment record	
Total payment made in 2024	\$3,175,043.70 (13.4%)

The preparatory phase of the design for the WSD project, led by Nicholas O'Dwyer, has made significant progress in addressing all technical, environmental, and social considerations prior to implementation. The completion of the Detailed Engineering Design (DED) and the associated deliverables will provide a robust foundation for the successful execution of the project. These efforts are crucial in supporting the long-term objectives of the WSD project, which include improving public health, ensuring environmental sustainability, and driving economic development in Timor-Leste.

4.1.2.2. Development of Cost Recovery Plan (CRP) for the WSD project

To support the development and sustainability of the water disinfectant, sanitation, and drainage project sector, MCA-TL plans to engage a consultant to develop a long-term Cost Recovery Plan (CRP). This plan will demonstrate to MCC that the Government of Timor-Leste (GoTL) has a sustainable financial strategy for recovering the costs associated with services and asset replacement provided by the WSD project. The CRP will align with GoTL's long-term development plan and the business strategy of BTL.

Objectives of the CRP activities

The specific objectives for this assignment are as follows:

- **Update financial models:** Revise the preliminary financial and cost recovery model developed by MCC.
- **Capacity building:** Ensure BTL staff receive adequate training to understand and use the model.
- **Evaluate Current Initiatives:** Assess ongoing water supply financial cost recovery efforts.
- **Customer and tariff analysis:** Evaluate various customer types using the wastewater system and review relevant policies and tariff structures.
- **Billing system review:** Analyze newly installed systems funded by other entities and recommend necessary modifications to the billing module.
- **Develop a combined tariff structure:** Create a unified water and wastewater tariff structure. This will likely require significant GoTL subsidies during the initial years and include a financial plan for full cost recovery (through tariffs) by 2040, assuming all assets are operational by 2029.
- **Affordability study:** Conduct a study to assess affordability and inform the Cost Recovery Plan.
- **Poverty profile assessment:** Estimate the number of households in Area 106 likely to face affordability challenges, in coordination with the ADB-financed initiative.

Project Performance and Termination

The consultant selected on December 14, 2023, commenced work on January 3, 2024, with the aim of developing the cost recovery plan in line with the specific objectives outlined earlier. However, during the reporting period, the project's performance fell short of expectations, and the consultant was unable to fully deliver the required scope as specified by MCA-TL. Additionally, due to GoTL's cancellation of the WB loan and the ongoing renegotiation of the ADB funded Water Supply Project loans presented uncertainties about the timing and amount of revenues from user fees. As a result, the contract was terminated on July 24, 2024, with the achievement of 57% of the work completed.

This termination was primarily due to the ongoing renegotiation of the ADB loan for the Dili water supply project infrastructure by the Government of Timor-Leste. This ongoing process significantly impacted key flow assumptions for the sewerage networks and the financial model underpinning the cost recovery plan. Consequently, MCA-TL determined that it was necessary to terminate the contract and halt the remaining tasks assigned to the consultant.

Deliverables Produced Prior to Termination

Before the termination of the contract, the consultant successfully delivered several key outputs as outlined in their agreement. These deliverables included:

1. Project Work Plan: A comprehensive roadmap for the execution of the assignment.
2. Updated Financial Model: A revision of the financial model initially prepared by MCC's due diligence consultant.
3. Billing System Recommendations: Proposed a billing system tailored for sewer customers.
4. Draft Collection System Memorandum: Evaluated mechanisms for revenue collection from both residential and non-residential accounts.
5. Affordability Analysis Memorandum: Conducted an affordability study to assess the financial feasibility for various customer segments.
6. Preliminary Tariff Memorandum: Developed partial details, including:
 - Tariff structure and levels
 - GoTL subsidies
 - Targeted consumer subsidy mechanisms

The key deliverables, including the cost for each following the contract, are summarized in Table 5 below for reference.

Table 5: Details of deliverables submitted by the consultant before the contract ended

Deliverables	Date deliverables were submitted to MCA	Remarks
Workplan	Feb 29, 2024	Approved and paid
Update financial model (Preliminary)	Jan 25, 2024	Approved and paid
Evaluate and recommend a billing system for the sewer customers	Jul 12, 2024	Approved and paid
Collection system memorandum (Evaluate mechanisms for collecting revenues from both residential and non-residential accounts)	Jul 17, 2024	Approved and paid
Affordability analysis memorandum	Jul 8, 2024	Approved and paid
Tariff memorandum (Preliminary) (develop Tariff structure, Tariff Levels, GOTL Subsidies and targeted consumer subsidy and/or relief (Partially completed)	Jul 25, 2024	Approved and partially paid

These deliverables provided a foundation for understanding cost recovery mechanisms and addressing affordability challenges, despite the project's early termination. The remaining tasks under this project will be continued in the future once the design project for the WSD project reaches 90% completion.

Details of Contract

A total of \$474,390.00 was agreed upon for the implementation of this project. Despite the contract's termination, the consultant made partial progress and delivered key project components, which warranted payments under the contract terms. All project efforts and the above deliverables submitted by the consultant during the contract's performance and up to its termination were deemed acceptable by MCA-TL and MCC for payment.

During the project initiation and upon the contract's conclusion, MCA-TL paid a total of \$268,030.35 to the consultant using the compact facilitation fund. A detailed breakdown of the consultant's contract and payments for the Cost Recovery Plan (CRP) is provided in Table 6 below.

Table 6: Details of contract and payment for the Cost Recovery Plan consultant

Description of Contract	Consultancy services for technical assistance to develop a Cost recovery plan for planned water supply and wastewater treatment system in Dili, Timor-Leste
Contract effective/ signing Date	Dec 14, 2023
Commencement date	Jan 2, 2024
Contract duration	730 days
Contract amount	\$4,743,900.00
Payment records	
Total payment in 2024	\$268,030.35 (57%)
Work completion progress by end of 2024	57%

The remaining balance of this contract will not be utilized under the current agreement. Instead, it will be allocated to complete the outstanding tasks for project development in the coming days.

4.1.2.3. Selection of PMC and construction supervision for the WSD project

In 2025, MCA-TL will engage a Project Management Consultant (PMC) to oversee pre-construction and construction-related activities for the WSD Project. The PMC will act as the employer's technical representative and construction supervision engineer, ensuring the successful implementation of the project.

Roles of PMC

The PMC's roles and responsibilities will include:

- Supporting MCA-TL in managing and executing all WSD project components.
- Reviewing deliverables from project preparation consultants.
- Establishing clear reporting structures to ensure accountability, transparency, and effective decision-making.
- Serving as the Construction Supervision Consultant, fulfilling the role of the employer's representative and engineer for FIDIC-based contracts.
- Ensuring adherence to project quality standards in full consultation with MCA-TL, as outlined in the Contract Agreement.

Selection and negotiation process for the PMC Consultant

MCA-TL's procurement agent launched an international tender on July 27, 2023, to hire a qualified consultant for this role. Following the bidding process, technical and financial proposals were submitted and subsequently evaluated by the Technical Evaluation Panel (TEP). Based on the evaluation criteria, a consulting firm was selected as the preferred bidder and recommended for contract negotiation.

The contract negotiation was held from May 27–28, 2024, at Timor Plaza, Dili, with participation from key stakeholders, including:

- MCC
- MCC's Due Diligence Consultant
- MCA-TL
- Government representatives from BTL, EP, and the Ministry of Public Works

The discussions aimed to finalize procurement details and ensure alignment with project objectives. Key clarification points and actions discussed during the negotiations, including prior correspondence between MCA-TL and the firm (from November 20, 2023, to May 27, 2024), are summarized in Table 7 below.

Table 7: Key clarification points and actions during the negotiation for the PMC consultant

No.	Description of main clarification points	Action or confirmation
1.	The Compact will enter into force in March 2025. MCA-TL proposes a contract with Base Services Period of three years, commencing 1 July 2024 and ending 1 July 2027 and 4 Option Years projected to start on 31 March 2026 and end on 31 March 2030, Option years to be exercised yearly at the sole discretion of MCA-TL. Total Period of Performance (if all Option Years are exercised) will be 2099 Calendar Days (70 months.)	Firm to revise its technical and financial proposal for the reduced Period of Performance, considering the changes to the staffing schedule discussed at this meeting. Revisions to Forms TECH-6, TECH-9, FIN-1, FIN-2 and FIN-3 to be submitted by the consulting firm by 9 am on May 28, 2024.
2.	The Design Consultant has proposed, and MCA-TL has accepted construction contract packaging with four (4) construction contracts as follows: - Contract 1 – WWTP, Outfall and OSHG (Design-Build delivery) - Contracts 2, 3 and 4 – Wastewater Networks, Pumping Stations and Transmission Mains (Design-Bid-Build delivery). Priority Expansion Areas to be included as Options in the contracts.	The firm was asked to revise its technical proposal to include four (4) construction contracts transitioning to 5-year Operations contract following Compact. Field construction period including Commissioning and issuance of TOC will be assumed to be four years.
3.	The firm has indicated in their Work and Deliverables Schedule that they will hire Local Staff within 3 months after commencement.	The firm confirmed during negotiations that all Key Personnel were available to start work following contract commencement. The Company’s Program Manager would be available to begin work full-time in Dili within two weeks of contract signature.
4.	The firm offers RAP assistance to MCA-TL for WWTP and PS sites at additional costs. The firm offers software for contractor document management at additional costs.	The firm understands that no additional RAP support for WWTP and pump station sites will be needed at this time. The Government of Timor Leste is already handling matters related to RAP.



Figure 2: PMC contract negotiation meeting on May 28, 2024, between the project stakeholders and the consultant

Project delays and procurement termination

Despite the progress made in the procurement process, MCA-TL and the firm were unable to finalize the contract due to:

- Delays in site access required for design investigations, and
- Changes in the Entry into Force (EIF) date for the Compact implementation.

These delays significantly affected the project timeline, necessitating adjustments to the EIF dates and construction schedule. As a result, in consultation with stakeholders and MCC, MCA-TL has decided to suspend the bidding process and reject all proposals for the PMC contract.

Although this procurement process was ultimately unsuccessful, the PMC remains a critical requirement for the WSD Project. Once the land access issues are resolved and the EIF date is finalized, MCA-TL will revise the scope and Terms of Reference (TOR) to reflect these changes. The updated procurement process will then be reinitiated, ensuring alignment with project needs and stakeholder expectations.

4.1.3. WSD project-specific stakeholder engagement

Stakeholder engagement has been a critical component of the project, ensuring that the perspectives and contributions of all relevant parties are considered throughout the planning and implementation phases. The primary stakeholders involved include:

1. **Consultant:** Responsible for delivering project design and technical reports, ensuring that all contractual obligations are met.
2. **MCA-TL:** Leading the project oversight and facilitating communication between stakeholders while ensuring the alignment of project activities with national priorities.

3. **MCC:** Providing technical guidance and conducting due diligence on deliverables to ensure compliance with international standards.
4. **Asian Development Bank (ADB) and WB:** Initially planned as co-funders of the Water Supply Project, their engagement has been deferred due to project adjustments.
5. **Local Government and communities:** Engaged to address land acquisition issues, particularly regarding the Wastewater Treatment Plant (WWTP), and to ensure that the project aligns with community needs and expectations.

The key government institutions involved in stakeholder engagement for this project include Ministry of Public Works, Ministry of Justice, Ministry of Finance, Ministry of State Administration, Ministry of the Interior, Ministry of Agriculture, Ministry of Transportation and Communication, Secretary of State for Land and Property, Secretary of State for Water, Sanitation, and Electricity. Additionally, the project engages with public institutions and private sector entities, including Bee Timor-Leste (BTL), *Autoridade Nacional de Licenciamento Ambiental* (ANLA), and *Instituto Geociência Timor-Leste* (IGTL).

Stakeholder engagement activities

Stakeholder engagement activities included regular progress meetings, technical reviews of submitted deliverables, and consultation sessions to address ongoing issues such as delays, land availability, and funding adjustments. Several keys of the stakeholder's engagement activities during 2024 are summaries in each section below:

4.1.3.1. *Biweekly coordination meeting with the consultant designer*



During the reporting period, regular coordination meetings with the consultant designer were essential in ensuring the effective implementation of the WSD project. These biweekly meetings served as a platform for progress updates, technical discussions, and issue resolution to maintain alignment between all stakeholders.

A total of twenty-four meetings were held throughout the 2024 reporting period. During these meetings, the consultant provided updates on the status of design deliverables, addressed technical challenges, and discussed any necessary revisions based on feedback from MCA-TL and other relevant entities, such as BTL. Key topics typically include design specifications, compliance with environmental and regulatory requirements, integration with existing infrastructure, and alignment with project timelines.

The meetings facilitated collaboration between the consultant designer, MCA-TL, and other stakeholders to ensure that the project adheres to the agreed-upon standards and objectives. Action items and follow-ups were established to track progress and ensure timely decision-making.

In 2025, these biweekly coordination meetings will continue to be a crucial mechanism for maintaining project momentum, enhancing communication, and ensuring that the design phase progresses efficiently toward successful implementation.



Figure 3: Coordination meeting on project preparation between MCC, MCA-TL, BTL and the consultant

4.1.3.2. Coordination with the Interministerial Technical Group on land issues

The availability of land for the WSD project, particularly for the Wastewater Treatment Plant (WWTP) and associated pump stations, remains a critical issue that GoTL must resolve. Securing the required land is essential, as it will enable the project consultant to access the site and perform the necessary technical investigations to advance the infrastructure design and development. Specifically, based on the original design, the project requires 5.5 hectares (55,000 m²) of land for the WWTP, along with six locations (each measuring 12x18 meters) for the installation of pump stations for the sewer collection system.

The Interministerial Technical Group (ITG), composed of representatives from the Ministry of Justice (MoJ), the Secretary of State for Lands and Properties (SSLP), the Ministry of Finance (MoF), the Ministry of Public Works (MoPW), Ministry of Interior, BTL, and MCA-TL, made substantial progress in the land acquisition process in 2022 and 2023. These activities have been carried out in accordance with the expropriation law and include the following key actions:

- initial public consultations
- detailed measurement surveys of the land and properties within the designated area
- public displays and verifications
- preliminary negotiations with property owners

To finalize the remaining land acquisition processes, including negotiation and compensation, multiple high-level meetings were held between the ITG technical team and key government officials, including representatives from the Ministry of Finance (MoF), Ministry of Public Works (MoPW), Ministry of Justice (MoJ), and the Secretary of State for Land and Properties (SSLP).

Key discussions took place on January 15 and 29, 2024, focusing on refining negotiation strategies with Project-Affected Persons (PAPs) and establishing a structured approach to resolve outstanding land-related issues. As a result, the Minister of Justice, through the Vice Minister for Institutional Strengthening, issued Dispatch Letter No. 19/GMJ-D/01/2024 on January 30, 2024. This directive mandated the SSLP to form a dedicated negotiation team tasked with engaging landowners and finalizing compensation agreements for land, structures, and crops required for the WWTP site in Bebonuk.



Figure 4: Inter-ministerial coordination meeting on land issues between MoF, MoPW, and MoJ on approach to negotiate with the PAPs

4.1.3.3. Participation in the negotiation process with affected communities for land and properties

The Government of Timor-Leste, through its designated agencies, undertook critical negotiations with affected landowners to acquire land and properties required for the implementation of the WWTP and related infrastructure under the WSD project. These negotiations marked a key milestone in securing land access for the consultant to proceed with essential technical investigations and project activities.

The negotiations for land acquisition were conducted from February 15 to 22, 2024, led by the Land and Property Offices and MCA-TL as an observer member. These negotiations focused on reaching agreements with landowners regarding compensation for land required for the WWTP and associated project infrastructure. Key details and outcomes include:

- **Number of landowners involved:** A total of 17 landowners participated in the negotiation process.
- **Land agreed for sale:** Agreements were successfully reached with 12 landowners, who consented to sell a combined total of 4.8 hectares of land. The compensation cost for the agreed land is estimated at US\$4.3 million.
- **Unresolved land parcels:** Negotiations with five landowners, representing 10,247 square meters (1.0247 ha.) of land, were unsuccessful as they refused to negotiate or cooperate.

Beyond land acquisition, compensation for structures and crops within the project area was also addressed. The Ministry of Public Works (MoPW) and the Ministry of Agriculture facilitated this process, with cost presentations initiated on March 5, 2024. The outcomes are as follows:

- **Structures/ number of owners identified:** A total of 14 property owners were identified as having structures within the WWTP site.

Negotiation outcomes: Agreements were reached with 8 owners, who accepted the government's compensation offers.

Number of owners identified: A total of 10 property owners were identified as having crops affected by the project.

Negotiation outcomes: Agreements were reached with 6 owners, who accepted the proposed compensation.

4.1.3.4. *Public consultation with communities on planned WSD project activities*

As part of the WSD project design activities, a series of public consultations were organized by the consultant in collaboration with local authorities and communities within the areas designated for sanitation coverage. The primary objectives of these consultations were to:

- Inform local authorities and community members about the project's planned activities in their respective villages.
- Highlight potential risks and impacts that may arise during the implementation of the project.
- Fulfill the requirements set by the National Environment Licensing Authority (ANLA) in the Terms of Reference (TOR) submitted for the environmental licensing of the Wastewater Treatment Plant (Phase I) and the Wastewater Collection System (Phase II).

MCA, in partnership with BTL, played a crucial role in coordinating the logistics of these consultations. This included liaising with local authorities, confirming appropriate venues for the meetings, and providing necessary support materials. Consequently, six public consultations were successfully conducted across five different locations in Dili. Further details of these consultations can be found in Table 8 below.

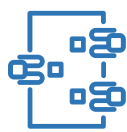
Table 8: List of public consultations undertaken for the WSD project

S/no.	Village (<i>Suco</i>)	Date	Focus of the consultation	Estimated number of participants
1.	Bebounk	Apr 9, 2024	Phases 1 and 2	50
2.	Colmera, Motael, Mascarenhas and Vila verde	Apr 16, 2024	Phase 2	81
3.	Fatuhada and Kampung Alor	Apr 18, 2024	Phase 2	34
4.	Bairo Pite	Apr 22, 2024	Phase 2	89
5.	Comoro and Manleuana	Apr 30, 2024	Phase 2	79
6.	Madohi	May 17, 2024	Phases 1 and 2	32

The participants in the aforementioned activities primarily consisted of key government entities, including ANLA, BTL, the Ministry of Public Works, and the Land and Property Office. Additionally,

local stakeholders such as the Chiefs of the Villages and the Post Administrator were also actively involved in the consultations.

4.1.3.5. Facilitation of stakeholder meetings for the WSD project



During the reporting period, MCA-TL, in collaboration with BTL, facilitated a series of stakeholder meetings to support the implementation of the WSD project. These engagements were pivotal in ensuring that relevant stakeholders were informed about project activities, fostering inter-agency collaboration, and addressing technical and logistical challenges during the preparation of the detailed engineering design.

Objectives of the Stakeholder engagements were:

1. To disseminate information about the WSD project's activities and expected outcomes to relevant stakeholders, including government agencies, local authorities, and development organizations.
2. To enhance coordination and collaboration among all involved parties to ensure the successful implementation of the project.
3. To address technical concerns and obtain critical inputs required for advancing the detailed engineering design.

In addition to the stakeholder engagements, key meetings held during the 2024 reporting period are summarized below:

a) Coordination Meeting with the National Directorate of Marine Transportation and APORTIL (January 29, 2024):

The purpose of this meeting was to discuss and validate technical information related to the bathymetric survey conducted during the feasibility study phase. This included understanding the mean sea level and other data critical for the design of the Wastewater Treatment Plant (WWTP) and the outfall system.

During the meeting, the technical team from the National Directorate of Marine Transportation provided comprehensive insights into marine and bathymetric data. These inputs were successfully integrated into the project's basic design criteria, ensuring that the design aligns with the site-specific marine conditions.

The meeting achieved its objective of refining the design approach for the WWTP and the outfall, ensuring technical accuracy and compliance with established standards.

b) Stakeholder Coordination Meeting with Local Authorities and Government Entities (January 31, 2024):

The intention of having this meeting was to introduce the project's initiation activities and strengthen coordination among relevant stakeholders, including local authorities and technical agencies, to support project implementation.

The meeting was attended by local village chiefs from 11 villages in Dili, post administrators, and representatives from key government institutions, including ANLA, BTL, MoPW, and the Land and Property Office.

A few points were highlighted during that meeting, for example, stakeholders were provided with a detailed overview of the project, including its objectives, timelines, and anticipated impacts. In addition, local leaders and institutional representatives reaffirmed their commitment to supporting project activities and addressing potential challenges collaboratively.

The meeting successfully established a foundation for ongoing coordination and collaboration, with stakeholders expressing strong support for the project’s implementation.

c) Coordination Meeting with the President of the Dili Municipal Authority

On September 16, 2024, a coordination meeting was held between the President of the Dili Municipal Authority and MCA-TL. The primary objective of the discussion was to coordinate with the President regarding the future disposal of biosolid sludge generated by the central WWTP at the Tibar landfill. Additionally, the meeting aimed to seek confirmation and approval from the landfill development project’s owner and contractor management—Dili Municipality and China Harbour—regarding their capacity and willingness to accept the sludge at the designated landfill site.

During the meeting, the President of the Dili Municipal Authority emphasized that the Tibar landfill was developed to accommodate urban solid waste generated by households across Dili. Since biosolid sludge is classified as urban waste and does not contain hazardous materials, its disposal at the landfill is considered feasible once the WWTP becomes operational. However, the President also underscored the importance of ensuring high-quality biosolid treatment at the WWTP prior to disposal to mitigate any potential environmental impact.

The meeting was productive, with valuable discussions led by key stakeholders, including the President of the Dili Municipal Authority, Mr. Gregorio Saldanha, and his technical team; the Resident Country Director of MCC, Ms. Gretchen Goodhart (“Gigi”), and her deputy; as well as the Executive Director of MCA-TL, Ambassador Constancio Pinto, and his team.

As a result of this meeting (Fig. 5), on November 5, 2024, the President of the Dili Municipal Authority issued a formal letter of authorization permitting the disposal of biosolid sludge at the sanitary landfill in Tibar. This authorization is a critical milestone for the further development of the WSD project, as it fulfils one of the conditions precedent outlined in the Compact Agreement.



Figure 5: Meeting between MCA-TL and the President of Dili Municipal Authority, Mr. Gregorio Saldanha (C)

d) Coordination meeting with *Autoridade Nacional de Licenciamento Ambiental* (ANLA)

Obtaining an environmental license from the *Autoridade Nacional de Licenciamento Ambiental* or National Authority for Environmental Licensing (ANLA) is a crucial step before implementing this project. This requirement aligns with MCC’s environmental standards, ensuring full compliance with environmental laws and regulations.

Similarly, on June 28, 2024, a coordination meeting was held at ANLA's office in the Government Palace, Dili, with the newly appointed President of ANLA, Mr. Maximiano M. de Olivero, and his technical team (Fig. 6).



Figure 6: Meeting with the President of ANLA, Mr. Maximiano M.G. de Oliveira, S.T. (6th Left), regarding the approval process for the ToR for the WWTP and WWCS

The primary objectives of the meeting were to introduce and provide updates on the Compact, given the recent leadership change at ANLA, and to follow up on the approval process for the Terms of Reference (TOR) developed for key WSD project activities, including the wastewater treatment plant and the wastewater collection system (WWCS).

As the regulatory authority, ANLA is responsible for approving project documentation prior to implementation. During the meeting, the President emphasized that several requirements must be fulfilled by the project proponent before the environmental license can be issued. The WSD project has adhered to ANLA's regulatory framework by developing the necessary project documents. This process included submitting the TORs on March 14, 2024, and conducting the mandated public consultations in accordance with ANLA's guidelines.

The meeting resulted in a constructive discussion. Following continued engagement and follow-up by MCA-TL on July 19 and July 29, 2024, ANLA officially approved the TORs for both the WWTP and WWCS. This approval classifies these project activities as Category A, indicating that they have the potential to cause significant environmental impact and are therefore subject to Environmental Impact Assessment (EIS) and Environmental Management Plan (EMP) requirements.

e) Coordination meeting with the National Directorate of the Water and Sanitation Regulation

As part of the development of project documents for the design, Environmental and Social Impact Assessment (ESIA), and Resettlement Action Plan (RAP), the consultant is mandated to provide technical assistance to the water and sanitation regulatory body in drafting water and sanitation regulations. This is a critical initiative, as Timor-Leste currently lacks regulations governing piped water and sanitary sewer systems. Additionally, the consultant has been requested to offer technical and legal support to develop and promulgate the necessary regulations, ensuring that ANLA is legally empowered to regulate and enforce these standards effectively.

To initiate the preparation of these regulations, a series of consultative meetings were held between MCA-TL, NOD, and *Direção Nacional Para Regulação Da Água e Saneam* (DNRAS) [the National Directorate of Water and Sanitation Regulation] on July 9 and 19, 2024. The objective of these discussions was to introduce the Compact and establish a framework for MCA-TL's consultant to provide technical and legal assistance in the development of water and sanitation regulations.



Figure 7: Meeting with Director of DNRAS Mr. Belarmino Freitas G. Dos Santos (in white shirt), regarding approval of the draft water and sanitation regulatory with MCA-TL

Following these initial discussions, on October 10, 2024, the Executive Director of MCA-TL and his technical team met with DNRAS to discuss the existing draft of water and sanitation regulations developed by DNRAS. The purpose of this meeting was to obtain DNRAS approval to share the draft document with MCA for review, incorporating technical and legal considerations relevant to the sanitation infrastructure being developed under the Compact.

In that meeting, DNRAS raised several concerns, including the baseline for water and sanitation development and the fact that existing regulations have not yet been legalized by the government. In response, the MCA Executive Director clarified that the Compact was developed based on a root cause analysis conducted by MCC and the Government of Timor-Leste (GoTL), with activities aligned with the Dili Water and Sanitation Master Plan (2011) and the latest feasibility study (2020). Furthermore, the establishment of water and sanitation regulations is a key condition precedent that the GoTL must fulfil for the successful implementation of the Compact project.

Recognizing the critical importance of these regulations for the country and the Compact, DNRAS agreed to share its draft regulations with the MCA legal counsel for review. This cooperation marks a significant step toward strengthening regulatory frameworks and fostering a productive partnership between DNRAS and MCA. Currently, this collaboration is ongoing, with the aim of finalizing the draft regulations and presenting them to the relevant ministries for approval.

4.1.4. Institutional Strengthening, Regulation and Reforms

The objective of the institutional reform activity of the WSD project is to ensure long-term sustainability of the water supply and sanitation infrastructure investments made by Government of Timor-Leste (TL) and other Development Partners in TL. The activity builds on past reforms made by other development partners with a focus on improving customer service and sustainability of all assets under the management of the newly established water utility, the Bee Timor-Leste Public Company (BTL E.P). To achieve these objectives, four key sub activities with good potential for contributing to strengthening

institutional reform results including BTL institutional capacity, infrastructure and services delivery, sustainability and customer satisfaction were identified for execution. They include: (i) Utility operator training, (ii) Utility private operator procurement support, (iii) Regulatory support assistance and (iv) Sanitation and disinfection operations and maintenance support. The scope and status of implementation of the sub activities are described below.

4.1.4.1. Component 1: Utility operator training



The objective of this component is to ensure BTL has foundational technical and operational skills for subsequent on-the-job training by the utility private operator that will be hired by MCA to operate the utility for a five-year contract period. To close the gaps between the required foundational skills and existing skills and competencies at BTL, a detailed analysis of the situation at BTL will be undertaken by a consultant. The process is expected to take 15 weeks following which the findings and recommendations for closing the capacity gaps at BTL will be presented, debated with BTL key stakeholders and adopted for implementation in 2025. The budget to implement the activity has been allocated and adopted by WSD and BTL stakeholders for implementation. To complement existing knowledge and skills of BTL, technical assistance will also be provided in-house to improve asset management, operational and financial performance of the utility including a study tour to a higher-performing water utility in Asia or Africa. The pipeline of training is to position BTL for effective collaboration with the utility private operator who will assume responsibility to operate the new WSD infrastructure and conduct on-the-job training for BTL. The pipelines of public utility operator trainings are expected to contribute foundational skills for improving operational efficiencies, financial viability, drive higher performance, customer satisfaction and sustainability of BTL utility services delivery in TL. The skills learned will also contribute to bringing good outcomes from the training supports the utility private operator will provide BTL.

Since the WSD institutional reform activity for BTL will build on earlier reform activities provided to BTL by other Development Partners in TL, MCA consulted with the leadership of BTL Utility, on the list of development partners who supported or still provide support to the utility. This approach was to ensure that BTL's priorities are well taken care of for placement on WSD reform activities. The feedback on other ongoing or past reform activities provided by other development partners and reform priority areas requested by BTL to MCA, avoiding the chances of misplaced priorities and or duplication of efforts have been avoided by MCA. Instead, the consultation paved way for targeted and efficient use of MCC resources for improving the institutional capacity of BTL. As result of the consultative meeting held with BTL, pathways and bases for MCA to connect with past and current development partners that have provided and continue to provide capacity development support to BTL for good outcomes from the MCC led institutional reform activity has been created. The collaboration between MCA and other development partners (donor committee) could improve partner support and resource flow and accountability for achieving the common goal of BTL institutional reforms—sustainability and customer satisfaction in TL.

For these reasons, a formal introduction of the WSD project and institutional reform agenda of MCA was made by the Executive Director of MCA to BTL, the World Bank (WB), Japan International Cooperation Agency (JICA), and Asian Development Bank (ADB). MCA held follow up discussions and meetings with the focal points of the identified institutional partners for reviews and expert enquiries on scope and the level of implementation of past institutional reforms and capacity building efforts the respective partners provided and or are still providing to BTL. MCA clarified with the donor committee partners that MCA's institutional and capacity building activity plans as proposed and shared with them will not conflict with the capacity building support the respective partners are offering BTL. Instead, MCA's capacity building agenda complements past and ongoing capacity building efforts.

As an outcome, the set of activities performed under the Utility operator training have potential to contribute to a focused collaboration and strong partnership between MCA and the donor committees in TL on the one hand and with BTL (the recipient Utility) on the other. During the reporting period, MCA took advantage of the favorable responses received from ADB and JICA to deepen discussion on how partners can contribute resources and skills for strengthening BTL and sanitation services providers' institutional capacity, to ensure sustainability, and improved access to service delivery in TL.

As shown in Figure 8, the MCA Institutional Specialist paid a courtesy call on JICA TL in November 2024 to hold an initial meeting between JICA and MCA on capacity building for BTL.

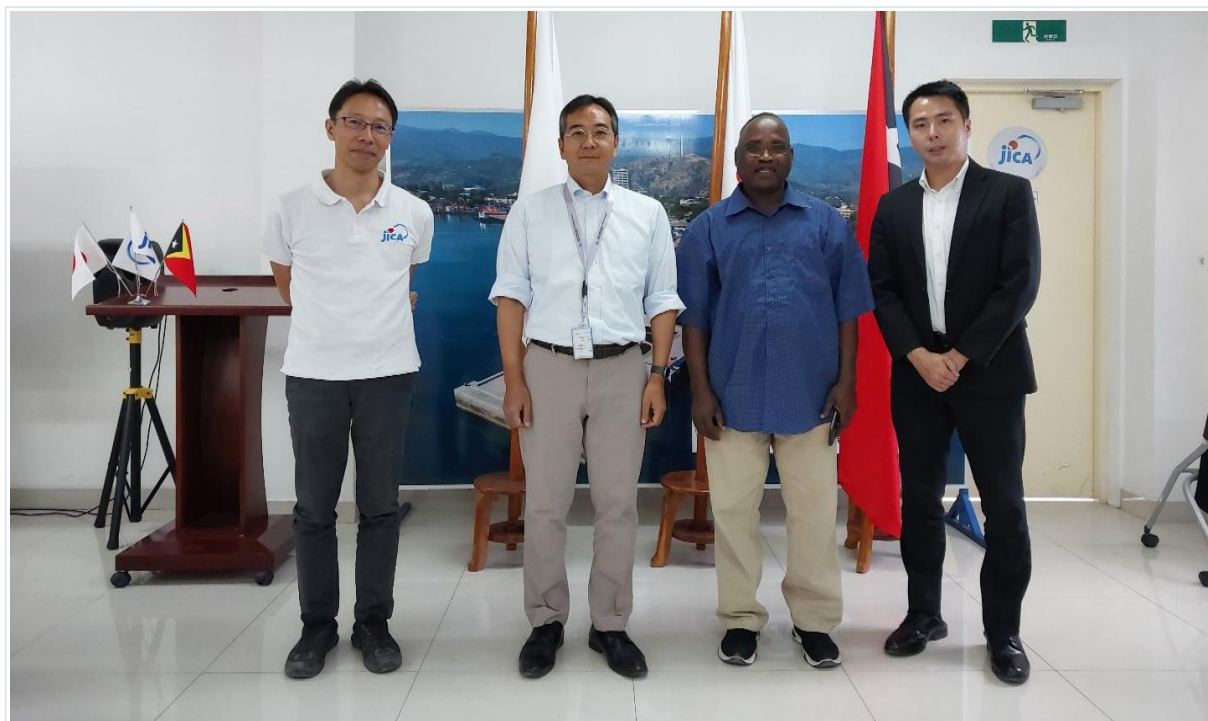


Figure 8: L-R: DaCosta Gomes Jose Ricardo, Dr. Ito Mimpei, Chief Country Rep., JICA; Polycarp Mumueh, MCA TL; and Matsumura Sho, JICA

As depicted in Figure 9 below, MCA paid a courtesy call on BTL President of BTL in September 2024.



Figure 9: MCA Institutional Specialist (C), WSD Specialist (R) met BTL President, Mr. Carlos Peloi Dos Reis (L)

4.1.4.2. Component 2: Utility private operator procurement support

The objective of this activity is to procure the services of a private operator for a five-year period to operate the wastewater treatment plant and the On-site Sodium Hypochlorite Generation (OSHG) plant. During the period, the private operator will train BTL staff to gradually assume operations of both the wastewater treatment plant and the OSHG plant at the end of the private operator's contract. This activity is in its preliminary stages. During the reporting period, MCA reviewed the scope of task eight on optional training contained in a signed design contract with Nicolas Odwyer (NOD) wherein option tasks are provided. It is expected that the revised contract will specify the training support NOD will provide to BTL before the private operator is procured by MCA.

4.1.4.3. Component 3: Regulatory reform assistance



The aim of this sub activity is to strengthen existing policies, laws and regulations for the provision of safe, affordable, inclusive and sustainable sanitation services in Timor-Leste. The updated laws, policies and regulation are expected to attract private sector participation and increase the flow of resources to support planning, construction or rehabilitation of safe and affordable structures for containment, collection, transportation, treatment, recovery, resources, and safe disposal of wastewater in Timor-Leste. The updated policies, laws and regulatory frameworks will serve as tools to create awareness on stakeholder responsibilities, foster partner collaboration, and partnership for improving sanitation related outcomes in TL. In addition, the frameworks support the government appointed regulator (DNRAS), BTL water utility and other services providers to develop and effectively enforce standards, guidelines, structures and rules for planning, design, construction and compliant service delivery. They also foster safe and sustainable sanitation services along sanitation value chains to consumers and customers and protect the environment and public health in Timor-Leste. The MCA Legal Counsel, supported by the WSD department provided legal support to the Timor-Leste government appointed regulator, DNRAS in the review of existing policies, laws and regulations for

sanitation, water and environmental regulation in Timor-Leste. Through the support of MCA and the WSD design consultant, NOD, initial bottlenecks faced in coordinating and facilitating the process of stakeholder participation in updating existing policies, laws and regulatory frameworks for sanitation were overcome during the reporting period. The first draft of the sanitation regulatory laws and framework is expected to be ready by the second quarter of 2025.

Potential benefits of the sub activity to WSD infrastructure and sustainability of services delivery in Dili city

Whereas this sub activity was not implemented during the reporting period, this report highlights its aims which are expected to be achieved by the end of the compact. The development of the water and sanitation framework will, inter alia, clarify the responsibilities of sector actors, improve data collection, performance monitoring and accountability for results. It is expected that with stakeholder support, the regulatory framework will contribute to improving sustainable use and management of water resources and access to safe and affordable water supply through water governance. This sub activity will contribute to encouraging public and private sector investments for sustainable operations, rehabilitation and improvement, expansion and initiation of new sanitation and water supply infrastructure improvements for services delivery in TL. The updated frameworks will serve as a tool for unifying a coordinated approach for strengthening collaboration and partnership toward supporting and strengthening BTL as a utility. They will also aim to reduce risks of fecal contamination of drinking water, improve the safety of piped water, stored and ground water sources, and promote financial sustainability and realization of the WSD project objective in TL.

4.1.4.4. Component 4: Sanitation and disinfection operations and maintenance support



The objective of this sub-activity is to provide laboratory equipment for water quality monitoring, initial reagents and vehicles needed to operate and maintain the wastewater system, and the drainage network provided by the MCA on the WSD project. The activity will also provide technical assistance to evaluate the feasibility of producing food grade salt for the OSHG plant locally in TL. However, all the tasks are yet to start until the Compact is signed into force.

4.1.5. WSD project challenges and mitigation efforts

During the reporting period, the WSD project encountered several challenges, primarily related to land acquisition and project management capacity.

a) Land acquisition delays

Securing land for critical project components, including the WWTP and Pump Station sites, has been a significant challenge. Land acquisition is a fundamental condition precedent under the Compact Agreement, and any delays in this process could hinder essential preparatory activities, such as geotechnical investigations required to finalize the WWTP's basic design and the initiation of the pre-qualification process for construction. Furthermore, the prolonged delays in securing land disrupted the project timeline, affecting the Compact's entry into force and delaying the commencement of physical construction. Given the Compact's fixed five-year implementation period, such setbacks could lead to increased financial costs for GoTL if construction is not completed within the allocated timeframe.

b) Limited staffing and absence of a Project Management Consultant (PMC)

Another major challenge was the limited staff capacity within the WSD project and the absence of a PMC. The lack of technical assistance has resulted in gaps in project oversight and management, making it difficult to meet critical project milestones and ensure efficient execution.

Environmental and Social Impact Assessment challenges and ways forward

i) Delayed project approval from ANLA

The approval process from the National Authority for Environmental Licensing (ANLA) experienced delays, impacting the project's timeline. Timely approval is critical for the commencement of construction and compliance with environmental regulations.

ii) Site accessibility for the wastewater treatment plant and pump station

Limited or restricted access to the designated sites for the wastewater treatment plant and pump station posed logistical and operational challenges. These constraints delayed the process of having the geotechnical investigation required to complete the project information in the preparation of EIS and EMP for the submission and verification of ANLA.

iii) Limited technical expertise at MCA-TL for consultant review

The absence of a dedicated technical team at MCA-TL to thoroughly review and oversee the consultant's activities presented a challenge in ensuring compliance with project requirements, quality standards, and regulatory guidelines.

4.1.5.1. Mitigation efforts and ways forward

To address the WSD project specific challenges, MCA-TL took proactive measures, including:

i) Accelerating the land acquisition process

MCA-TL has engaged closely with key government institutions responsible for land acquisition and compensation, including the State Secretariat for land and property, Bee Timor-Leste (BTL), the Ministry of Finance, the Ministry of Agriculture, and the Ministry of Public Works. Technical information regarding the compensation process was gathered and submitted to the Ministry of Finance, the Ministry of Public Works, and the Ministry of Justice for their review and approval. MCA-TL will continue collaborating with these ministries to expedite the land acquisition process and ensure the timely availability of land for project activities.

ii) Ensuring site access for the design consultant

MCA-TL is working to facilitate the design consultant's access to project sites to prevent delays in finalizing technical designs and project documentation.

iii) Strengthening project management capacity

To address staffing limitations and improve project oversight, MCA-TL is working towards securing a Project Management Consultant (PMC) who will provide essential technical assistance and oversight throughout the project's implementation.

These mitigation efforts are aimed at minimizing project delays, ensuring compliance with the Compact Agreement's conditions, and maintaining progress toward the successful implementation of the WSD Project.

4.1.6. Key lessons learned from the WSD project

4.1.6.1. Navigating external dependencies requires robust adaptive management



The 2024 reporting period starkly highlighted the WSD project's vulnerability to external factors beyond the direct control of the accountable entity (MCA-TL) and its consultants. Significant project activities, timelines, and even contractual arrangements were profoundly affected by dependencies on government land acquisition processes, the

unforeseen renegotiation of a complementary donor-funded project (ADB Dili water supply loan) and shifts in the anticipated Compact EIF date.

- **Lesson:** Difficulties in securing timely site access for the Wastewater Treatment Plant (WWTP) and pump stations directly delayed critical design investigations by the Detailed Engineering Design (DED) consultant (Nicholas O'Dwyer). This, combined with EIF date uncertainty, ultimately led to the suspension of the procurement process for the crucial Project Management Consultant (PMC), despite reaching the negotiation stage with the preferred bidder/ firm. Furthermore, the renegotiation of the ADB loan critically undermined the financial modeling and flow assumptions for the Cost Recovery Plan (CRP), necessitating the termination of that consultancy contract mid-stream. Even payment schedules for the DED consultant deviated from initial plans due to site access uncertainties impacting deliverable completion and client evaluation capacity. Sharing the details of the land acquisition process prior to the cancellation of the WB and ADB loans would have improved outcomes.

4.1.6.2. Proactive multi-level stakeholder engagement unlocks progress, demands sustained effort



The report demonstrates that concerted and persistent stakeholder engagement across multiple levels was instrumental in achieving critical progress during the preparatory phase, yet it also underscores the significant resources and dedicated effort required. Engagement wasn't merely informational; it was a core mechanism for problem-solving, securing buy-in, and fulfilling essential project prerequisites.

- **Evidence:** Successes directly attributable to focused engagement include: securing agreements with 12 of 17 landowners for the WWTP site through negotiations led by the Government's Interministerial Technical Group (ITG) and supported by MCA-TL; obtaining official approval from the Dili Municipal Authority for biosolid sludge disposal at the Tibar landfill (a Compact condition precedent); gaining approval from the environmental authority (ANLA) for the project's Terms of Reference (TORs), classifying the project and enabling the EIS/EMP process; and establishing a collaborative pathway with the water regulator (DNRAS) to advance much-needed water and sanitation regulations. The coordination with Development Partners (ADB, JICA, WB) also ensured alignment and prevented duplication of capacity-building efforts for the utility (BTL). This required consistent effort, evidenced by 24 biweekly coordination meetings with the DED consultant alone, plus numerous specific high-level and technical meetings with government bodies, local authorities, and communities.
- **Lesson:** In environments with complex governance structures, nascent regulatory frameworks, and critical community interfaces (especially regarding land) sustained, targeted, and multi-pronged stakeholder engagement is not an optional add-on but a fundamental driver of project success. It requires dedicated personnel, strategic planning (identifying key influencers and decision points), and persistence to navigate bureaucratic processes, build trust, and achieve necessary consensus and approvals. While time-consuming, this investment proved essential for overcoming specific obstacles (like land negotiation deadlocks needing ministerial directives) and unlocking key milestones that allow the project to advance. Simply having a plan is insufficient without the active, ongoing work of engaging the actors needed to execute it.

4.1.6.3. *Prep. phase interdependencies magnify delays, underscore foundational requirements*



The intricate nature of the project's preparatory phase in 2024 revealed how tightly interwoven key activities are, making the entire phase highly sensitive to delays in foundational elements. Bottlenecks in one area had cascading negative impacts on others, highlighting the critical importance of securing essential prerequisites early and efficiently.

- **Examples:** Delays in obtaining laboratory results impacted the timely submission of DED consultant reports (field survey, geotechnical). The critical dependency on securing land access for the WWTP and pump station sites not only delayed design work but was a primary factor in the inability to finalize the PMC contract. The report explicitly notes that the absence of the PMC impacted the evaluation process for the DED consultant deliverables, forcing reliance on MCC's due diligence consultant and potentially slowing approvals. Furthermore, uncertainties surrounding site access, and the associated consultant's progress contributed to misalignments between project payments and contractual timelines.
- **Lesson:** The preparatory phase of large infrastructure projects functions like a complex chain reaction; failure to secure foundational links – such as undisputed site access, key regulatory approvals (like TORs), and the presence of essential oversight structures (like the PMC) – early on can create disproportionately large delays and disruptions downstream. These interdependencies mean that seemingly isolated issues can rapidly stall multiple workstreams, affect consultant performance and payment cycles, and ultimately jeopardize readiness for implementation. Therefore, project planning must prioritize the aggressive identification and mitigation of potential bottlenecks in these foundational areas, potentially front-loading resources or diplomatic efforts to resolve them before they impede the broader sequence of interdependent preparatory activities. The cost of early delays is often magnified significantly as the project progresses.

4.1.7. Environmental and Social Impact Assessments (ESIA)

MCA-TL engaged Nicholas O'Dwyer (NOD) Consulting Engineers as the lead consultant to undertake the preparation of designs, tender documents, Environmental and Social Impact Assessment (ESIA), and Resettlement Action Plan (RAP) for the WSD project. As part of this effort, NOD, in collaboration with its subcontractor International KIMA and the local contractor Envipro, is responsible for assessing the environmental and social impacts of the project. The team is also tasked with developing project documentation necessary for obtaining project licensing before implementation.

A feasibility study has produced a draft ESIA in June 2022 for the WSD project. The consultant is responsible for further refining this draft into two local Environmental Impact Statements (EIS) and Environmental Management Plans (EMP). These documents will cover the following components:

- One EIS/EMP for the Wastewater Treatment Plant, On-site Sodium Hypochlorite Generation (OSHG) plant, and outfall, will inform the employer's requirements.
- One EIS/EMP for the Wastewater Networks and pumping stations.

The local regulatory agency, ANLA, is expected to issue a license for the WWTP, OSHG facility, and Outfall based on the EIS/EMP, which must align with the Employer's Requirements. Therefore, it is critical that the Employer's Requirements include comprehensive preliminary designs and layouts that adequately define environmental and social impacts as well as mitigation measures.

4.1.7.1. Environmental licensing

To secure environmental licensing for the WSD project, the consultant has developed a series of key activities in compliance with ANLA's regulatory requirements since the beginning of the design preparation. The details of these activities are outlined below:

Development of project documents

In 2022, the Compact Development Team Timor-Leste prepared the initial project documentation based on the feasibility study conducted. Submission of these documents to ANLA represented the first step in the environmental licensing process. The project documentation included comprehensive details of the WSD project, covering: Phase I: The Central Wastewater Treatment Plant (WWTP). Phase II: The Wastewater Collection System and Pump Stations.

The project proponent, BTL, submitted the project documentation to ANLA on July 18, 2023. Following this, ANLA provided technical comments on August 16, 2023, which were addressed in a revised submission by BTL on September 15, 2023. Subsequently, on October 2, 2023, ANLA classified all components of the WSD project as a Category A project under Article 4 and Annex 1 of Decree-Law No. 39/2022 (amendment to Decree-Law No. 5/2011 on the Environmental Authorization Act). This classification, as detailed in Annex 2, mandates compliance with the Environmental Impact Statement (EIS) procedures outlined in Ministerial Diploma No. 44-47/2017.

Category A designation indicates that the project is expected to have significant impacts on the physical, biological, and/or human environment. As a result, the project requires the implementation of comprehensive avoidance, minimization, mitigation, and management measures. The EIS will document all anticipated impacts along with strategies for avoidance and control to ensure sustainable and responsible project execution.

Development Term of Reference (TOR) of the WSD project

Following the approval and project categorization provided by ANLA, the next step in the environmental licensing process is the preparation of the Terms of Reference (TOR) in compliance with ANLA requirements. The TOR is essential for securing approval prior to the development of the Environmental Impact Statement (EIS) and Environmental Management Plan (EMP). The consultant developed the TOR as part of their scope of work for obtaining environmental licensing.

Initially, the project was intended to be covered by a single EIS, encompassing: 1) a wastewater Treatment Plant (WWTP), 2) On-Site Household Greywater (OSHG) Facility, 3) Ocean Outfall, 4). Pump Stations, 5) Wastewater Collection Network, 6) Building Connections, and 7) Associated Drainage.

However, following consultations with MCA-TL, it was determined that the project would need to be executed in two phases due to scheduling constraints related to the strict five-year Compact timeframe (beginning from the EIF date). The phases are defined as follows:

- **Phase 1 (FIDIC Yellow Book):** WWTP, OSHG Facility, and Ocean Outfall.
- **Phase 2 (FIDIC Red Book):** Wastewater Collection Network, including sewers, pump stations, building connections, and associated drainage.

During discussions with ANLA, it was agreed that separate TORs, EISs, and EMPs would be required for each phase, along with independent approval processes. However, these phases remain interconnected and are part of a broader program. It is essential to maintain this context throughout the process due to the following considerations:

- The division of the project into two separate EISs/EMPs (and two RAPs) is for administrative purposes and does not imply separate physical projects.
- Communicating the phases as distinct projects could lead to confusion among stakeholders and the community.
- Segmenting large projects into smaller components contradicts international best practices, including International Finance Corporation (IFC) Performance Standard 1 (IFC PS1) on Assessment and Management of Environmental and Social Risks and Impacts.

The TORs for both phases were submitted by the project proponent, BTL, to ANLA on March 14, 2024. Following a comprehensive review by ANLA's technical team, ANLA issued approvals for TOR Phase I on July 19, 2024, and TOR Phase II on July 29, 2024.

After ANLA's approval, the consultant finalized and submitted the required ANLA scoping documents for the WWTP/PS and Wastewater Networks under Task 4 of their contract. The payment for the development of these TORs was completed and disbursed to the consultant on May 2, 2024.

Public consultation meetings on the Terms of Reference

Public consultation is a constitutional right and a crucial component of the decision-making process. It enables the integration of diverse societal perspectives, fostering conditions conducive to project implementation and integration at both community and national levels.

As stipulated in Article 6, Paragraph 3 of Decree-Law No. 5/2011 of 9th February, as amended by Decree-Law No. 39/2022 of 8th June, ANLA may require the project proponent to engage community representatives and relevant stakeholders in discussions regarding the Terms of Reference (TOR) for the Environmental Impact Study (EIS). Ministerial Diploma No. 47/2017 does not explicitly outline public consultation requirements at the TOR stage; however, Chapter IV mandates public consultation during the EIS and EMP stages. Accordingly, the consultant has adopted these requirements as guidelines for the TOR consultation, specifically referring to Articles 8, 9, 11, and 12.

In compliance with legal requirements, the consultant, in coordination with the project proponent BTL and MCA-TL, conducted public consultations for the TOR phases 1 and 2 across 11 Sucos within the WSD project area. These Sucos include Bebonuk, Comoro, Manleuana, Bairo Pite, Colmera, Motael, Mascarenhas, Vila Verde, and Madohi.

The primary objective of these public consultations was to inform communities about the WSD project activities and associated environmental and social impacts, as mandated by ANLA. These consultations were held from April 9 to April 15, 2024, ensuring meaningful engagement with affected communities and key stakeholders.

As shown in Fig. 10, participants included representatives from various government entities, such as the Ministry of Public Works, the Ministry of Justice, the Secretary of State for Land and Properties, the Ministry of State Administration, and the Secretary of State for Urban Organization and Toponymy.



Figure 10: Public Consultation Meeting on the TOR with communities living around the wastewater treatment plant in Bebonuk

Additionally, institutions including ANLA, BTL, MCA-TL, *Instituto Geociência Timor-Leste* (IGTL), Dili Municipal Authority, Administrators of Dom-Aleixo and Vera Cruz, along with local authorities, religious representatives, community members, national non-governmental organizations, and universities were actively involved.

Key concerns, comments, and questions raised during the consultation sessions related to social, economic, and environmental aspects, summarized as follows:

- i) What mechanisms are in place for compensation regarding land, property, assets, and crops?
- ii) How will the project ensure the quality of the wastewater treatment process, and what is the treatment methodology?
- iii) What are the environmental implications of the project, including wastewater management, waste oil disposal, and marine biodiversity protection?
- iv) How will the project impact fishermen, marine biodiversity, and food security?
- v) What measures will be implemented to ensure public safety, particularly for vulnerable groups and children, during construction activities such as trenching and excavation?
- vi) How will the government address traffic disruptions and movement restrictions during construction?
- vii) What impact will the project have on existing road infrastructure?
- viii) What is the project timeline for implementation?
- ix) Will the project create job opportunities for residents?
- x) Will beneficiaries be required to pay for services post-construction, and how will maintenance fees be structured?
- xi) Given the long-standing groundwater contamination issue, how can community cooperation today contribute to long-term environmental improvements for future generations?

Additional technical concerns raised included:

- i) Potential leakage risks in sewer lines and at the wastewater treatment plant.
- ii) Challenges in establishing house connections in unstructured areas.
- iii) Implications for properties with septic tanks located beneath existing structures.

The feedback gathered during these consultations will be carefully considered in project planning and implementation to ensure alignment with community needs and environmental sustainability. In response to the concerns raised by the communities, the project proponent and consultant conducted a comprehensive presentation outlining the project's scope, potential impacts, and proposed mitigation measures. This initiative aimed to enhance public understanding and ensure that stakeholders are well-informed about the project's benefits and safeguards.

4.1.7.2. Land acquisition and resettlement progress

The resettlement implementation progress covers the implementation of the 2024 Resettlement Action Plan (RAP). Related activities in collaboration with BTL, E.P., Inter-ministerial Technical Group (ITG), concerned stakeholders and the local community leaders were undertaken to ensure timely and appropriate provision of assistance to all affected persons in accordance with the approved RAP and to determine whether there are any un-anticipated impacts which need to be considered during implementation.

Budget allocation

In October 2024, the signing of compensation agreements took place with the Minister of Justice, marking a significant milestone in the project's progress. This step was essential to ensure that affected individuals and assets were adequately compensated in accordance with legal requirements and project guidelines. The process involved close coordination with the Major Project Secretariat (MPS) under the Ministry of Planning and Strategic Investment, ensuring that all relevant stakeholders were involved and informed.

Following the agreement, efforts were focused on securing the necessary funding for compensation. The projected budget was finalized and carefully reviewed, with the final stage involving the submission of the budget to the Council of Ministers for extraordinary discussion. After thorough deliberation, the budget was voted on and successfully approved in November 2024, with a total allocation of US\$7.5 million. This approval represented a critical step in ensuring that the necessary financial resources were available to carry out compensation processes and support the project's objectives.

The approval of the compensation budget highlights the commitment of the government to the project and its adherence to the principles of fairness and transparency. It further underscores the collaborative efforts of various ministries and stakeholders, paving the way for the continued success and smooth implementation of the project. With the budget in place, the next phase of compensation and mitigation efforts will proceed, ensuring that affected individuals receive due compensation in a timely and efficient manner.

4.1.7.3. Compensation payment processes



In the implementation of the RAP, payments to project affected persons (PAPs) were made only after the submission of all required documentation, including signed agreements, identification cards, and individual bank account details. This process was facilitated following thorough disclosure with the PAPs, ensuring that all parties were fully informed and understood the requirements. Clear communication and transparency were prioritized throughout this stage to ensure smooth and efficient processing.

The actual payment process is closely monitored by the MCA-TL's Resettlement Specialist to guarantee that all steps are carried out in accordance with established guidelines. Once the funds are made available, the PAPs are promptly notified, and payments processed without delay. This proactive approach ensures that affected individuals receive compensation in a timely manner, fostering trust and confidence in the implementation of the RAP.

To ensure accuracy and completeness, the updated summary of impacts, following re-validation, verification, and implementation has been prepared and is shown in the matrix below. This includes detailed information on the identified affected persons along with their corresponding agreements and settlements (Fig. 11).



Figure 11: Signing of compensation agreements by project-affected households

4.1.7.4. Resettlement compensation status



As of November 2024, the government had successfully made payments to 10 Project-Affected Households (PAHs), amounting to a total of USD 4,636,269.56. This payment accounts for 81.3% of the USD 5,701,196.22 total gross amount calculated in the RAP. These payments were made for the compensation of affected structures, land, trees, and businesses, as part of the ongoing efforts to implement the RAP.

However, some PAHs have been impacted by the loss of multiple assets, including land, structures, trees, and business property. Despite the completion of agreements with many PAHs, the government, following close discussions, decided to withhold payments for two households. This decision was made due to the presence of five holdouts from the original project site layout, who have not yet agreed to the compensation packages offered. These holdouts have either refused to accept the proposed

compensation or are demanding higher rates than those set by the land and property department, which adhere to established standards.

In a positive development, in December 2024, two of the holdouts who previously declined to sell their land to the government approached the MCA-TL and the ITG. These PAHs expressed a willingness to re-enter negotiations, signalling the possibility of reaching an agreement on the government's compensation packages. This shift in approach was a promising step toward resolving the remaining disputes and ensuring that the compensation process is completed in a fair and efficient manner for all affected parties.

Relocation Plan

After receiving their payments in November 2024, in accordance with Timor-Leste's expropriation law, the PAHs were given a 90-day period to relocate or vacate the affected areas. During this time, the government maintained close coordination with the PAHs to discuss the urgent needs of the area for further project works, particularly in relation to investigations and design activities.

Recognizing the urgency of the situation and in support of the PAHs, the government, through its heavy machinery department, plans to assist with the relocation process. This included the dismantling of some of the used materials, which were then returned to the PAH owners for future use, and some of the used materials were donated to the nearby community. This collaborative approach will not only facilitate a smoother relocation but also ensure that the PAHs retain valuable materials for their own benefit, further promoting a positive working relationship between the government and the affected households.

Agreed relocation before payment

There was one case regarding the relocation before payment where this arrangement was critical, as it allowed the government to proceed with the necessary preparations for the project while ensuring the involved parties had time to finalize their compensation agreement. In this case, both owners, a divorced couple, agreed to relocate their movable assets before payment, allowing the government to clear the building as part of the resettlement process. This decision was made while these individuals were still in discussions regarding the division of compensation. To formalize this arrangement, they signed a declaration acknowledging the relocation of their assets and permitting the government to proceed with property clearance. The declaration was duly witnessed by both of their lawyers, ensuring the agreement was legally binding and transparent, with a clear understanding of the terms during this interim period before the final division of the compensation.

The payment for this structure will be included in the next payment batch once the parties have reached an agreement among themselves. In the event that no final agreement is reached, the compensation amount agreed upon by the parties and the government (covering structures replacement cost, income loss, and relocation assistance) will be retained within the infrastructure fund budget, which is managed under the Major Project Secretariat (MPS) at the Ministry of Planning and Strategic Investment.

4.1.7.5. Next steps and schedule of the remaining RAP implementation activities

In the second week of February 2025, discussions will take place with the owner of Ocean View Beach Hotel regarding the payment processing and the relocation plan for his structures. These discussions are essential to formalize the terms of compensation and to devise a clear plan for the relocation of the hotel's facilities. A detailed relocation plan will be crucial in mitigating any disruptions to the hotel's operations and ensuring a smooth transition during the resettlement process. These meetings will also aim to clarify the timeline and logistics involved in the relocation process, ensuring that the hotel owner is fully informed of the next steps.

The third week of February 2025 will involve a Focus Group Discussion with the affected workers, who are an essential part of the resettlement activity. During this week, the project team will collect all necessary documents from the 36 affected workers to fulfill the compensation requirements. This will include gathering contracts, pay slips, identification documents, and bank account details. This step is vital for ensuring that each worker receives their rightful compensation in a timely manner. The process will be carefully monitored to ensure accuracy and efficiency, allowing the resettlement process to proceed smoothly.

In the first week of March 2025, the resettlement activity will focus on addressing the concerns of the holdout families who previously disagreed with the project. This will involve a renegotiation process aimed at reaching an agreement for the acquisition of their land. Efforts will be made to understand their concerns and provide necessary assurances to ensure their cooperation in the resettlement process. Parallel to this, coordination and finalization of the supporting documents for payment processing will be carried out for parcels 4, 5, 6, and 7 in the same week. This step is crucial to ensure that all necessary paperwork is completed for the timely processing of payments related to these parcels.

4.1.8. Future plans for EIS and EMP activities

Ways forward

To ensure the successful finalization of the EIS, EMP, and environmental licensing, it is critical to enhance collaboration among stakeholders, provide consultants with necessary resources, and maintain regular communication with regulatory authorities. By adopting a proactive approach, the project can achieve compliance with environmental regulations and move forward efficiently while minimizing risks and delays. The key approaches are as follows:

1. Enhanced coordination with ANLA to expedite approval processes

Strengthened communication and collaboration with ANLA to accelerate the environmental evaluation and approval process. This involved regular follow-ups, provision of additional clarifications or documentation as required, and engagement in technical discussions to address potential concerns.

2. Coordination with relevant line ministries to ensure site access for the project

Engaged with relevant government ministries such as land and property, municipal authorities, and local stakeholders to facilitate access to the WWTP and pump station sites. This included resolving land acquisition issues, obtaining necessary permits, and ensuring infrastructure readiness for project implementation.

3. Facilitated consultants' activities to finalize the preparation of EIS, EMP and the Environmental Licensing

To ensure the timely completion of the Environmental Impact Statement (EIS), Environmental Management Plan (EMP), and environmental licensing process, Tomcat-TL facilitated and supported the consultants in conducting their activities effectively. This involved streamlining processes, addressing administrative and technical challenges, and enhancing coordination among key stakeholders.

4. Capacity building at MCA-TL for effective consultant oversight

A dedicated technical review team was established within MCA-TL to monitor and assess the consultant's work effectively. This involved capacity-building initiatives, recruitment of technical experts, and collaboration with external specialists to enhance oversight capabilities and ensure project success.

4.2. Teaching and Leading and Next Generation of Timorese (TALENT) Project

4.2.1. TALENT project overview and objectives



Teaching and Leading the Next Generation of Timorese (TALENT) is a project designed to restructure secondary teachers and school leader professional preparation through direct training of the existing personnel and the development of the country's first pre-service professional teacher training center. The objective of the TALENT project is to improve student learning outcomes at the secondary education level through raising the quality of teaching practice. To reach this objective the project intends to improve pedagogy, and school and classroom management; increase opportunities for women in teaching and leadership positions; improve language and information and communication technology (ICT) instruction for future teachers; and enhance instructional leadership and create a supportive and inclusive learning environment. The TALENT project will establish the country's first formal pre-service teacher training and certification institution for secondary education, the Center of Excellence for Teacher Education, through which trainings will be delivered to current and future secondary school teachers and school leaders across the country. The project also will seek to increase the number of women in secondary school teaching and leadership positions through a Women's Economic Empowerment (WEE) intervention. Working with the government's education ministries to ensure that secondary school graduates have the skills necessary to pursue higher education and enter the workforce, the TALENT Project will benefit nearly a million Timorese students over the next 20 years. The TALENT Project is structured around four core components or project activities such as:

Activity 1: Center of Excellence for teacher training. This Activity will establish a Center of Excellence for Teacher Education, a new autonomous institution in Timor-Leste to provide professional training and certification to future secondary teachers entering the workforce, as well as training and certification of a portion of current secondary teachers. The Center of Excellence also will design and deliver training activities specific to school leaders, specifically current directors at secondary schools. Under Activity 1 there are two sub-activities: (1.1) *Establish the Center of Excellence* and (1.2) *Design and Build the Center of Excellence*.

Activity 2: Teacher training. This Activity looks at providing professional development support to current and future secondary school teachers in Timor-Leste. All current secondary teachers are expected to receive some form of training to improve their pedagogical skills, including student assessment, in the areas of numeracy, literacy, and soft skill development, including fairness and merit-based selection of teachers for teacher trainings. A sub-set of current secondary teachers will receive additional training to receive professional certification from the Center of Excellence. Future teacher candidates graduating from education programs in Timor-Leste will be trained at the Center of Excellence and receive practical training at secondary schools throughout Timor-Leste. Successful trainees will be offered full-time employment in positions supported by the Ministry of Education. Under Activity 2 there are three sub-activities: (2.1) *Course and Training Materials Development*, (2.2) *Training for Current Teachers*, and (2.3) *Training for Future Teachers*.

Activity 3: School leadership training. This Activity will support the training of school leaders to create effective schools through strong school leadership, both in school management and in terms of instructional leadership. Training will focus on competencies in school leadership, including merit-based equal opportunities, and ICT in education. Under Activity 3 there are two sub activities: (3.1) *Developing the Curriculum and Materials* and (3.2) *Training Delivery*.

Activity 4: Ensuring excellence. This Activity consists of three sub-activities, all of which focus on ensuring the accessibility and quality of the Center of Excellence’s services. The sub-activities include (4.1) *Quality Assurance and Monitoring*, (4.2) *Women’s Economic Empowerment in Education (WEEE)*, and (4.3) *Creating Language and ICT Supports*. This activity ensures the integration of equal opportunities throughout all tasks, including increasing merit-based access for women to teaching and leadership positions.

4.2.2. TALENT project progress update

This section provides an update on the activities undertaken in 2024 to prepare for the implementation of the TALENT core activities mentioned above that have been scheduled to kick off in March 2025.

4.2.2.1. Onboarding of key TALENT staff



After the government of Timor-Leste had created the Board of Directors of MCA-TL in 2023, terms of the Compact Development Team (CDT) ceased. The CDT team then assumed the role of a transition team to ensure a smooth handover and transition to MCA-TL. The transition period lasted for more than one year until most MCA-TL key staff were recruited.

Recruitment of the MCA-TL Executive Director and the Project Managers for both WSD and TALENT Projects were publicized in mid-2023. By February 2024, recruitment of the first TALENT project key staff was finalized and the Managing Director (MD), was officially onboarded on March 01, 2024. To ensure a smooth transition, the TALENT project transition team provided the necessary induction to the new MD on various aspects of the project including introducing him to the difference education stakeholders in country and overseas.

From March 13–14, the MD participated in a workshop organized by MCA-TL on Implementing Entity Agreement (IEA) with TALENT project key partners to discuss project activities and explore roles and responsibilities of each partner institutions throughout the project implementation. Aside from gaining broader knowledge of the TALENT project, the two-day workshop was crucial for new MD to engage with different education institutions that have direct involvement in the project. More importantly, his participation and leadership in the workshop was vital to bring together various thoughts on the IEA that would be signed off by each stakeholder. It was a landmark start not only for the MD but for the TALENT project in general during the current preparatory phase for implementation. It set up a solid ground for collaboration and success. More on the IEA workshop is discussed in this report. Following the workshop, the MD TALENT embarked on working in collaboration with the MCA Human Resource Director, MCC Resident Country Mission representatives and the recruitment Agency (DevAid Recruitment Agency) in the selection process of other MCA-TL key staff. This included advertising the posts on various selected sites and running interviews. In April 2024, MCA-TL launched recruitment of several more key staff including the Secondary Education Director for the TALENT Project. Of the numerous applicants who applied for the position, five candidates were shortlisted and selected for interviews. MD TALENT played an active role in all the interview sessions and selection of candidates.

After a rigorous selection process, MCA-TL identified a suitable candidate who officially started his new role as Secondary Education Director in September 2024. This role was important and necessary to support the TALENT project’s preparatory work moving forward.

To complete the list of the TALENT key staff, MD TALENT continued to work closely (over the last quarter of 2024) with the MCA-TL recruitment team to develop Position Descriptions (PD) for the positions of Director of Center of Excellence (CoE), CoE Infrastructure Manager, Project Manager and Education Specialist. Reflecting on the priorities and work demand of the project, particularly regarding

the CoE infrastructure, it was necessary to bring on board the CoE Infrastructure Manager sooner than later. In May, the position of the CoE Infrastructure Manager was advertised, the recruitment process was completed, a suitable candidate was selected, and negotiations were underway. However, no agreement was reached between the candidate and MCA-TL. Consequently, the position was relaunched in December 2024. The recruitment of other key staff for the TALENT project will be advertised in early 2025 prior to the planned Compact Entry into Force (EIF) in March 2025. Currently, there are only two key staff members, the MD TALENT and the Secondary Education Director in the TALENT team. To guarantee an effective commencement of the TALENT project activities, MCA-TL should have a full TALENT team ready for work prior to EIF.

4.2.2.2. TOR development and procurement of TALENT project consultancy service

To effectively and successfully implement the TALENT project activities outlined earlier, the TALENT project aimed at procuring at least four consultancy services for different activity lines of the project. These included; 1) Training and institutional support contract that is responsible for the course material development and training components; 2) Design and supervision contract that is responsible for the design and supervision of the CoE infrastructure; 3) the CoE infrastructure contract; and 4) Women and Economic Empowerment in Education (WEEE) contract that will look after the crosscutting issues of the TALENT project as a whole. This section provides a summary on the objectives of the procurement contract, key milestones deliverables as well as activities undertaken in 2024 to advance with the project foundational activities.

Training and Institutional Support Contract

The TALENT project consists of two distinct components namely, the training of teachers and school directors across secondary schools in Timor-Leste and construction of a Center of Excellence for teacher training and teacher certification. The procurement of a Training and Institutional Support firm was intended to support the former component. This contract builds on the education project design work completed by the International Business Firm (IBF) consultant during the Compact development period. Thus, the objective of the Training and Institutional Support Contract was to support MCA-TL to finalize key elements of the TALENT Project design and support implementation of major activities especially, those related to the curriculum and learning material development and training delivery for secondary teachers and school leaders. This also includes providing valuable recommendations for the future CoE facility.

Development of ToR and Request for Information (RFI) Launch

As early as 2023, both the MCC education and MCA-TL Transition Teams started the discussion on the development of a Terms of Reference for the Training and Institutional Support Contract which included the defining the objective of the procurement contract, scope of work, expected deliverables, payment schedules and language used for the expected deliverables.

Consequently, by the end of 2023, both teams had developed a full draft of the ToR and RFI that were announced in November–December that year to gauge the market interest for the procurement opportunity. There was a total of 12 potential bidders who expressed their interest in the procurement opportunity and five of them reached out to MCA-TL for questions and clarifications including request to access the ToR. By the end of December, MCA-TL has responded to the questions and clarifications as well as sharing the ToR with those who requested it.

The scope of service of this contract involves activities or deliverables expected from pre-Entry into Force or implementation year zero that is known as Base Year, and five Option Years. The **Base Year**

is the preparatory period before the project kicks off once EIF is called. Activities involved in the phase are as follows:

- ✓ Inception Report that outlines the team's overall approach to carry out each and every deliverable listed in the ToR.
- ✓ Description, plan and timeline of various assessments such as, Institutional Capacity Assessment (ICA), Teacher Training Needs Assessment (TTNA), School Leader Training Needs Assessment (SLTNA) and Rapid Assessment of Language and ICT Instruction Needs at Secondary Schools.
- ✓ Implementation of the assessments and reporting required.
- ✓ Curriculum and course development plan for school leader training including training delivery plan during the Compact period.

The Training Needs Assessment of teachers and school leaders' knowledge and skill gaps are instrumental in informing the curriculum design and material development for teacher and school leader training. Likewise, the Institutional Capacity Assessment will provide fundamental information about the establishment of future CoE.

Option Years 1, 2 3, 4, and 5 consist of activities to be undertaken during the five-year Compact implementation timeline when both parties, MCA-TL and the contractor, have agreed to proceed. Option Year One include activities such as,

- ✓ Finalize teacher materials and course development plan and implementation timeline
- ✓ Develop training curriculum and material for school leaders training.
- ✓ First cohort of training (50%) of school leaders and school resource people.
- ✓ Recommendations for design considerations (spatial utilization) for COE.
- ✓ Drafting of CoE Decree Law.
- ✓ Creation of CoE Executive Board.
- ✓ Establishment of Quality Assurance (QA) plan and system for CoE training and training of the QA team.
- ✓ Implementation plan and timeline for the establishment of CoE Institution.
- ✓ Development of CoE human resource manual and staffing plan; and
- ✓ Progress report.

Please note that first training activity will start in year one i.e. the training of first 50% of the school leaders and the school resource persons who will be hired by the Ministry of Education to support the TALENT project training activities at the school level. This is one of the conditions precedent under the compact agreement that requires sufficient permanent staff in the secondary schools to support the training activities.

Option Year Two will continue with development of course curriculum and training materials for various training modalities for current and future teachers. For example:

- ✓ Teacher training materials and course curriculum developed for up-skilling training of current teachers.
- ✓ Teacher training materials and course curriculum developed for full certification of current teachers.
- ✓ Design and develop training materials to improve ICT and Language Instruction in secondary schools.
- ✓ Develop Teacher training materials and course curriculum for certification of future teachers at the CoE.
- ✓ Conduct Training of Trainers (ToT); and

✓ Progress report.

It is important to note that one of the most important milestones of the TALENT project is to work with the government of Timor-Leste especially, the Ministry of Education to establish a Teachers Certification System through the soon to be established Center of Excellence. This effort is intended to improve the quality teaching performance of secondary teachers but most importantly to set up a legal standard practice for teaching careers in the country. Therefore, the training programs designed under the TALENT project, per deliverables above, aim at raising teachers' effectiveness to the desired level for certification. That said, the curriculum for both in-service and pre-service training will be designed to address the purpose of teacher certification.

The first phase of the training of current teachers will commence in Option Year Three of the project implementation and training of the second half (50%) of school leaders and school resource people. Likewise, the training of the first cohort of future teachers will start at the end of Year Three. Training of both current and future teachers will continue through Option Year Four and Option Year Five with additional training support in language and ICT in year five.

Overall, the deliverables outlined in the contract ToR are designed to address the educational needs of secondary teachers and school leaders and especially, to improve secondary students' learning outcomes. More importantly, they are well aligned with the priorities of the Ministry of Education to improve student learning outcomes through reforming teaching profiles and providing targeted intervention to raise quality teaching practice in Timor-Leste. When successfully delivered, these milestones will result in improving quality learning outcomes at the secondary level in Timor-Leste and establish a teacher certification system that will have a lasting impact for the future generation of this country.

Request for Proposal (RFP)

After all questions and clarification were addressed, MCA-TL and MCC education teams worked together to improve and adjust the ToR for the training and institutional support contract per potential bidders' questions and request for clarifications and made it ready for the Request for Proposal (RFP). The changes introduced in the ToR included information provided by MCA TALENT on the roles of various key stakeholders listed under the TALENT project. In addition to that, both MCC and MCA TALENT teams held discussions on the expected deliverables and confirmed the payment schedules for each of the deliverables. As a result, by the end of February 2024, MCA-TL had finalized the RFP document and was ready to be launched to attract bidders.

Thus, on March 15, 2024, MCA-TL (with the assistance of Charles Kendall, the Procurement Agent) issued a Special Procurement Notice for the training and institutional support contract in several online sites, including in the local newspapers. On March 27, 2024, MCA-TL (through the Procurement Agent) organized an online bidder conference or pre-proposal conference for potential applicants. The conference was intended to provide an opportunity for potential applicants to ask technical questions on the scope of the TALENT project, expected deliverables, and other matters related to procurement. MCA-TL gathered 31 questions for clarifications from the participants during the conference and provided responses in writing on April 10, 2024. MCA-TL's response to the questions was vital to the bidders in developing their proposal for the procurement opportunity.

Per bidders' request and due to the easter break, the deadline for the submission of proposals was extended to May 02, 2024. MCA-TL then organized a technical offer opening to bidders one day later that was attended by 18 potential applicants to go through the technical aspects of the procurement prior to the evaluation of the proposals. As a result, four out of the 18 potential applicants who attended the bidder conference submitted their proposals for the training and institutional support contract. The four

bidders were: 1) DAI; 2) IREX International – from Washington DC; 3) C2D–CATALPA from Canada; and GOPA Worldwide Consultants from Germany.

Selection of the Technical Evaluation Panel (TEP)

While the procurement process for the training and institutional support contract was in progress, MCA-TL was in the process of selecting independent education experts who would provide technical support in the evaluation of the proposals submitted by the bidders. In April 2024, MCA-TL started selecting qualified panel members for the task and successfully selected four (out five applicants) panel members for the technical assessment task. Three of the panelists (two female and one male) were from Australia, and the fourth from Nigeria.

MCA-TL (through the Procurement Agent) reached out to the selected panel members to seek their availabilities for the assessment, sign off the Confidentiality Agreement and Disclosure of Conflict of Interest, explain the scoring sheet, and set up a schedule for the assessment. The technical assessment process started in May 2024 and the TEP report was submitted for MCC’s No Objection in June 2024 with the score results.

On June 19, 2024, MCA-TL issued the notification of technical evaluation result to formally open the financial offers of the above firms that was scheduled for July 3, 2024. After a 10-day period of bid challenge and clarifications, DAI was selected for the contract and was invited for further negotiations with MCA-TL. Consequently, DAI officially signed the Contract Agreement with MCA-TL on September 16, 2024, and the preliminary work on the TALENT project started from there on.

In terms of budget execution, of the total budget of USD 40.19 million allocated to the TALENT project, the Training and Institutional Support Contract represents the largest share, amounting to USD 19,452,250.00. This amount makes it the highest-valued contract among all service contract under the project. This contract plays critical roles in ensuring the development of high-quality, contextually relevant training curricula and materials, as well as the effective delivery of various training modalities for teachers and school leaders, designing and setting up the new CoE, providing recommendations for the design of the CoE facility, and the integration of the Social Analysis aspects in both the curriculum design and the training delivery throughout the compact implementation period.

Since the contract was awarded on September 16, 2024, DAI has successfully completed the first four deliverables of the Base Year period by December that same year. For instance,

1. Inception Report,
2. Institutional Capacity Assessment description and timeline,
3. Teacher Training Needs Assessment description and timeline and School,
4. Leader Training Needs Assessment description and timeline.

The Inception Report outlined how the project team understood the assignment, confirmed the scope of work and presented a detailed workplan for implementation. The ICA provided a structured evaluation process used to determine an institution’s ability to perform its mandated functions effectively, efficiently and sustainably, that is vital for the CoE. Additionally, the other two needs assessments (TTNA and SLTNA) are the systematic processes used to identify the gaps between the current competencies of teacher and school leaders, and desired knowledge, skills and attitudes needed to effectively deliver quality leadership and classroom performance in Timor-Leste’s secondary school education.

4.2.2.3. *Desing and supervision contract*

Part of the preliminary steps to establish the new Center of Excellence facility involves multiple activities which include 1) establishing a technical review sub-committee for infrastructure, 2) selection of site for the CoE infrastructure, 3) development of the functional design brief document for the CoE and 4) the technical engineering design for the CoE building. During the reporting period, the TALENT team engaged extensively in the first two activities that are explained in detail in this report. Based on the request of the MCC infrastructure team, the TALENT project identified a Point of Contact (POC) from the Ministry of Higher Education, Science and Culture (MHESC) for the CoE infrastructure. The role of POC was to work closely with MCA-TL TALENT Infrastructure team and the soon to be hired Design and Supervision Firm on matters related to infrastructure of the Center of Excellence.

The objective of the design and supervision contract service is to support MCA-TL in providing Architectural and Engineering services for the design brief, conceptual and detailed design, assistance in procurement of construction works, supervision of construction works and environmental and social impact assessment and management for the new CoE in Timor-Leste. Eventually, the ultimate purpose of this contract is to have the new CoE built to support the training of secondary teachers based on the required curriculum. The timely hiring of a design and supervision firm for the CoE infrastructure, though delayed, was essential to align with the overall TALENT project workplan for activities implementation.

As of April 2024, MCC had shared a draft Terms of Reference for the design and supervision contract with the TALENT team for review. The draft was also shared with the POC at MHESC in December 2024 and were still reviewing it at the time of writing this report. The delay in returning the document to MCC is attributed to the staffing gap within the TALENT team. This is further exacerbated by the delay in the recruitment of the CoE Infrastructure Manager. This key staff will have technical expertise and experience to deal with the technical aspects of the ToR and the overall design and building of the CoE facility. The timing of the procurement of the design and supervision contract depends heavily on the recruitment of this key staff.

4.2.2.4. *Women and Economic Empowerment in Education (WEEE) contract*

Women and Economic Empowerment in Education (WEEE) is a sub-activity under activity four (ensuring quality) of the TALENT project with the objective to support MCA-TL to design and implement the WEEE component in to increase the number of qualified women in teaching positions and school leadership roles at the secondary education level in Timor-Leste. This contract will ensure that crosscutting issues are addressed across the project design and implementation. The timeliness of bringing onboard the WEEE firm is key to ensure the alignment of the project activities.

On August 14, 2024, the MCC Social Analysis Director shared a draft ToR for the WEEE contract with the MCA-TL Social Analysis and TALENT teams for review. Both teams provided feedback and reverted to MCC in October 2024. By the end of the reporting period, both MCC and MCA were in the process of consolidating the second draft of the ToR. Once a full draft is developed and approved by MCC, MCA-TL will put it in the Request for Proposal package and announce invitation for bids. The timeline of the specific procurement notice of the WEEE contract is yet to be determined.

4.2.3. TALENT stakeholder engagement

4.2.3.1. *Development partners and key education stakeholders*

The preparatory program for compact implementation lasted four years of compact development and one year of transition to MCA-TL. This was due to the nature of the compact that requires both the WSD and TALENT projects to Enter into Force simultaneously. Conversely, the delays in land

acquisition for the WSD project in Bebonuk continues to indirectly affect the commencement of the TALENT project, albeit being ready for the implementation phase.

To ensure that key education partners are in the loop about the progress of the TALENT project, both MCA-TL and MCC continued to engage the relevant stakeholders such as the Education ministries. The MCC team from Washington conducted several missions to Timor-Leste. MCA TALENT organized meetings with the stakeholders and attended important education-related seminars and workshops organized by the Ministry of Education (MoE) and development partners as described below:

Ação Conjunta para a Educação, Timor-Leste (ACETL) Meeting

Joint Action for Education, Timor-Leste or *Ação Conjunta para a Educação, Timor-Leste (ACETL)* [Joint Action for Education, Timor-Leste] is the local education group that consists of development partners, NGOs and other international agencies working in the education sector. ACETL, led by the MoE and coordinated by UNICEF, plays a key role in supporting the ministry in its effort to improve quality education in Timor-Leste. Through the ACETL biannual meetings, the Ministry announces its priorities for the education sector and encourages the partners to align their program interventions and coordinate with other partners to avoid overlapping.

As a member of ACETL, MCA-TALENT participated in the group meetings organized by the coordinating agency (Unicef) in September 2024. Like the other development partners, MCA-TALENT had the opportunity during the meetings to provide a short update on the project and learned about what different partners are doing in the education sector. Aside from face-to-face meetings, the Ministry and the coordinating agency created an ACETL mailing list to engage the education partners more effectively. The mailing list was essential not only for scheduling ACETL meetings but also for sharing important information on education that required partners' attention. For instance, information regarding the Global Partnership for Education (GPE) funding opportunities for the System Transformation Grant (STG) and System Capacity Grant (SCG) that required Timor-Leste to develop a Compact to design the plan for STG and SCG. The education partners (including the MCA-TALENT team) were consulted throughout the year to engage and provide feedback on the proposal for the grant. Once the local education partners endorsed the proposal, MoE submitted it to the GPE secretariate for review and approval.

MCA-TALENT attended a meeting organized by the World Bank with partners in October 2024 on the Basic Education Strengthening and Transformation (BEST) project. BEST was a project run by a project management unit established by MoE through a \$23 million loan from the World Bank. The meeting was organized to inform partners about the progress of the project particularly about the significant challenge associated with its implementation that might lead to project immature closure. Since its establishment in December 2020, BEST encountered tremendous challenges in its implementation and was cancelled by the government on December 11, 2024. The BEST project experience was a lesson learned for the TALENT project, especially during the preparatory phase of implementation to ensure that all conditions are met prior to project implementation.

Creation of a Technical Advisory Committee (TAC)

In November 2021, the then Compact Development Team (CDT) worked in conjunction with MoE to establish a Technical Review Committee to represent the Government of Timor-Leste in taking key decisions concerning the design studies of the TALENT project. TRC was composed of 10 members from various departments and directorates of both MoE and MHESC who played key roles in the review process of the deliverables submitted by the consultants hired for the design work. This was done while

the CDT served as the secretariat that coordinated and organized quarterly meetings and led the review processes of the deliverables.

When MCA-TL was created in 2023, the role of TRC changed in accordance with the progress and needs of the project. To ensure the effectiveness of the coordination work, in March 2024, MCA-TL and MCC worked with the line Ministries of education to establish a Technical Advisory Committee (TAC) for the TALENT project. TAC has two sub-committees namely, the sub-committee for training, and the sub-committee for CoE infrastructure. The sub-committee for the TALENT training program will support the development (curriculum and course development and training delivery) while the sub-committee for CoE infrastructure will deal with aspects related to the design and building of the future CoE facility.

Implementing Entity Agreement (IEA) workshops

In March 2024, after an extensive consultation with the relevant education infrastructure stakeholders, MCA-TL organized a two-day IEA workshop to make a presentation on the way forward for the TALENT project, and more importantly, to discuss the roles of each entity during the preparatory and implementation phases of the project. The workshop objective was to define roles and responsibilities of the stakeholders in ensuring the effective and successful implementation of the TALENT project throughout the five-year compact period. The workshop went on smoothly with constructive discussions on the TALENT project and the establishment of the Center of Excellence for teacher training and teacher accreditation.

TALENT project staff took the notes of the two days discussion and worked with the MCC Education Director to develop an Implementing Entity Agreement document or Terms of Reference (ToR) to be agreed upon by the entities involved. As a follow up, the project organized several meetings with key entities such as, MoE and MHESC to discuss the IEA document and adjust it as necessary. Essentially, there were two IEA documents, one with MoE on the teacher and school leader training components, and the other with MHESC on the establishment (design and construction) of the CoE. The IEA agreements included the responsibilities of both Ministries of Education in ensuring Timor-Leste's compliance with the specific Conditions Precedent (CP) under the TALENT project. By the end of the reporting period, the IEA was still under discussion between MCA-TL and the relevant entities.

Workshop for the sub-committees

As a follow up to IEA workshop, MCA-TALENT in collaboration with the MCC education team in Washington held two workshops for the two sub-committees in October and December 2024. The first sub-committee workshop was organized for the infrastructure sub-committee in October 2024 during the visit of the CoE infrastructure team from MCC. This workshop involved stakeholders such as, the infrastructure team from MHESC, the National Authority for Environmental License (ANLA), the National Directorate of Housing (from the Ministry of Public Work) and the engineers from the *Universidade Nacional Timor Lorosa'e* [National University of Timor Leste] (UNTL). The workshop was intended for the MCC infrastructure team to brief the stakeholders on the MCC general guidance on the processes required for the center of excellence infrastructure.

Similarly, in December 2024, after onboarding DAI for the training and institutional support contract, MCA-TL organized a second workshop which drew participation from the sub-committee for the TALENT training. The objective of the workshop was to present the concept note for the institutional capacity assessment and teacher and school leader trainee needs assessment prepared by DAI.

The workshop (Fig. 12) was held after extensive interviews and consultations by DAI consultants with key education stakeholders such as the National Institute of Teacher Training (INFORDEPE), The

National Agency for Assessment and Academic Accreditation (ANAAA), the National Institute for Vocational Training (INDMO), UNTL, Civil Service Commission and Secretary of State for Gender and Equality (SEI). Through this consultation, DAI developed a concept note describing how different assessments would be undertaken in the given timeframe. The workshop was vital to confirm the information gathered from the institutions above and seek their inputs on the scope and methodology of the various needs assessments that DAI would undertake.



Figure 12: Participants engage in group discussions during concept note presentation by DAI

Courtesy calls on the new key members of the ninth government

In June 2023, when the ninth (IX) constitutional government took over power the then MCA-TL transition team also planned for courtesy calls on relevant senior members of the government including meeting with H.E. Prime Minister and the two Vice Prime Ministers, and the Minister of Finance to brief them on the compact, clarify existing misconceptions, and, solicit their support for project implementation, particularly on matters pertaining land for the waste water treatment plant under the WSD project. These meetings continued in 2024 when MCA-TL commenced the new year with the courtesy call on H.E. the President of the Republic in January 2024 to deliver a presentation on the compact and to seek his blessing for the project moving forward.

The MCA-TALENT team continued to engage key members of the government such as, the Minister of Education and the Minister of Higher Education Science and Culture on a regular basis to get them in the loop with our progress. Regular engagement with the two Ministries during the establishment of the TALENT team in 2024 was critical in discussing the Conditions Precedent under the TALENT project prior to any disbursement of compact funds. These included commitment by the Government of Timor-Leste (GoTL) to provide land for the construction of the CoE; hire sufficient permanent staff for the CoE teacher training program; establish a teacher certification system through the CoE, provide a financial plan for the CoE for three years after the compact period.

Both ministers were grateful for the MCC grant to improve quality learning outcomes of students in secondary school through training teachers and school leaders across. The two government officials expressed their commitment to support the implementation of the TALENT project to its completion. Moreover, in 2024, MCA-TL conducted a total of eight meetings: four with the Minister of Education and another four with the Minister of Higher Education. These meetings exclude numerous other meetings held with the technocrats in both Ministries. Like all other high-level meetings, minutes of the meetings were recorded and shared among the participants and the MCC education team for information and references.

MCA-MCC regular TALENT project meetings

Internal weekly check-in calls between MCA-TALENT, and MCC education team in Washington throughout the 2024 reporting period were essential in ensuring effective coordination of work between the two teams. to the meetings discussed pertinent issues relating to the TALENT project such as potential risks to the project and relevant mitigation strategies to ensure successful implementation of the pre-EIF activities. Through these meetings, both teams ensured that project activities were on track and in accordance with the MCC standards and in line with Timor-Leste's educational priorities as defined by the Ministry of Education through the ACETL meetings and coordination mechanisms.

Depending on the topic and needs, other participants such as, the MCC Resident Country Mission representatives in Timor-Leste and MCA-TL management team occasionally participated. Through these meetings, the teams were well attuned with progress on the project. The meetings were a platform to seek their views and advise on specific matters relating to the project activities. For more effective coordination between MCA-TALENT and the MCC counterpart, it was agreed to establish a procedure or protocol for the TALENT weekly technical meeting, for instance:

- i) The MCC education lead and the TALENT lead will provide a summary of activities that have taken place over the last week at the beginning of every meeting, and identify high priority items,
- ii) MCA-TALENT will suggest additional agenda items two days before the meeting,
- iii) MCC education lead will make necessary additions and update agenda with items from their end,
- iv) If MCA-TALENT or MCC education lead needed to cancel the weekly meeting, an email will be sent to everyone on the invite to let them know a day before the meeting day,
- v) MCA-TALENT will take notes for the MCA, and MCC education lead for MCC,
- vi) All calls will be made from places with good internet when possible. If the internet is not working, send a WhatsApp message.
- vii) Printed materials are recommendable if they will be reviewed on the call in case there are challenges with the internet.

In addition to that, the teams also created a WhatsApp group as a backup should the internet connection prove to be erratic. The teams also developed an activity tracker for the TALENT project.

TALENT project charter and workplan

The project charter is a key project document that provides a comprehensive summary of the TALENT project from inception to closure. It outlines all the expected deliverables or milestones to be achieved during the five years of project implementation. It is the project executive summary that provides useful guides for the project manager of both MCA-TL and MCC on the stages of the project.

Thus, between June and September 2023, the then MCA transition team and MCC education lead started work on the first draft of the project charter. This activity included internal team discussions and desk research from other compacts to come up with a preliminary draft. Despite the staffing shortage during the initial stage of the establishment of MCA-TL coupled with other conflicting priorities, the TALENT team continued to improve the document which resulted in a second draft which was approved in March 2024.

The project charter is a living document that will be improved and modified in accordance with the needs of the project. The Managing Director of TALENT will continue to work with the TALENT team to provide a periodic review of the document to adjust and adapt the TALENT project charter whenever necessary.

The MCC and MCA-TALENT teams also developed a workplan for the TALENT project. Unlike the project charter, the workplan specifically defines the milestones and outcomes of the project activities. For example, it underscores all expected deliverables commencing from the compact signing through compact closure. It is developed on the Microsoft Project software that is very handy and good for the project management. Aside from its ability to calculate the duration of each activity, the tool is also equipped with a system to see the interdependencies of one activity with the others. The workplan is a very critical document for the TALENT project manager to guide and ensure the project meets its objectives. Like the project charter, the workplan is also a living document that can be changed and modified whenever it is necessary.

4.2.4. Program for International Student Assessment (PISA) for schools



The Program for International Student Assessment (PISA) is an international program for the national level assessment of 15 years old secondary students' abilities in numeracy, literacy and social science. PISA provided standard tests for secondary students around the world, however, Timor-Leste has not had prior participation. The Organization for Economic Cooperation and Development (OECD) uses the result of the PISA test to compare the quality of one country with the others. PISA for school project is a smaller version of PISA that is administered locally among schools within one country. The result of the PISA for school project provides important and relevant information/ facts about the real competency of students, teachers and schools. The result will help the government to tailor make their educational interventions to improve students learning outcomes at the school level.

Through the TALENT project, Timor-Leste has expressed its desire to introduce PISA for school to assess quality learning in the secondary school level across the country and identify gaps/ challenges that the school communities face. It is important to note that the result the PISA for school will not be used to compare one school to the other. Rather, they will provide strategic insights to the government in its effort to improve the quality of learning for students. Unlike the International PISA, OECD will not publish the result of PISA for school, rather, the Ministry of Education can choose what to publish from the PISA for school report.

In relation to the TALENT project, the outcomes of the PISA for school will serve as the baseline and endline for the implementation of the project. In addition to providing the baseline and endline, the PISA for Schools will offer initial trainings to help Timor Leste develop and analyze standardized tests. In October 2023, MCA and MCC begun discussions with OECD on the possibility of implementing PISA in Timor-Leste. The TALENT team approached the Ministry of Education (specifically, the Office of the Curriculum Unit and the General Directorate for Secondary Education) immediately after the meeting with OECD to gauge the Ministry's interest in the initiative. The first virtual meeting between Timor-Leste and OECD in France was held on November 15, 2023. For better understanding

of the PISA for school initiative, OECD shared relevant documents/ information as well as minutes of the meeting with both MCA and MoE after the call. Consequently, the MCA TALENT convoked a follow up meeting in January 2024 to discuss any doubts or if there were things in the document shared by the OECD that needed clarifications prior to presenting it to H.E Minister of Education. As a result, on January 17, 2024, on behalf of the Minister of Education, H.E Minister Dulce de Jesus Soares, sent out a letter or “Expression of Interest” to OECD expressing Timor-Leste’s desire to introduce PISA for school in secondary schools in the country. As a follow up to the letter of Expression of Interest, H.E. the Minister established a Technical Working Group (TWG) for PISA composed of 10 people from key directorates and departments within MoE. The TWG worked closely with MCA-TALENT to support the preparatory work for the PISA implementation in Timor-Leste in 2025. The engagements with the TWG included, *inter alia*; reviewing the PISA questionnaires, roles and responsibilities of the TWG, testing period, selection of school coordinator for PISA tests, and selection of topics for workshops and training. A total of 10 meetings were held with OECD, MoE and MCC in December 2024 in relation to the PISA initiative. The timeline and scope of the PISA for school initiative was discussed and agreed upon and awaits a contract agreement between MCA-TL and OECD. Accordingly, MCA and MoE will work on the selection of the school coordinators for PISA tests and relevant trainings or workshops as soon as a contract is signed.

4.2.5. Conditions Precedent for initial disbursement of compact funds

This section outlines three (3) of the eight (8) Condition Precedent under the TALENT project that MCA-TL and the government of Timor-Leste must comply with to allow the initial disbursement of the Compact Fund for the implementation of the project activities. MCA-TALENT worked in collaboration with MoE and MCC education team in Washington throughout 2024 to ensure that these conditions are met prior to EIF.

Site selection for CoE

In 2024, the MCA-TALENT team continued to work in conjunction with the the GoTL counterparts (especially, MoE and MHESC) and MCC to identify a potential site for the Center of Excellence. As previously reported, during the Compact Development period, three (3) potential sites for the CoE establishment were identified, the MoE owned (one hectare of land) property in Becora (Dili), community offer of five hectares of land in Kaitehu (Liquiça), and three hectares of land owned by the University of Timor Lorosa’e (UNTL) in Hera. Of these three sites, the UNTL property in Hera was most desired and subjected to further assessment by MCC. After the MCC Infrastructure team’s scoping mission visit in August 2023 to assess the land, it was advised that a fourth site was required for a more balance assessment.

Accordingly, MCA-TALENT presented the recommendation to MoE and MHESC and as a result, three additional sites were suggested in 2024 namely:

1. MoE offered a secondary school (November 12th General Secondary School) in Becora to be turned into the CoE (if selected),
2. The Local Authority of Metinaro (15 minutes’ drive from the UNTL site in Hera) made available property which was previously used as “Youth Training Center” during the Indonesian occupation. and
3. MHESC offered a piece of land at the City for University (Cidade da Universitaria) in Aileu.

MCA-TALENT had several site visits to the first two sites including during the high-level visit of the MCC senior representatives, Mr. Jonathan Brooks, MCC’s Vice President (VP) of Compact Operations, and Mr. Peter Jeffe, VP, Office of General Counsel on August 23, 2024. During the site visits, MCC

was accompanied by the representatives of the Directorate of the Secondary Education from the Ministry of Education.

Similarly, in October 2024, the Minister for Higher Education, Mr. Jose Honório da Costa Gerónimo suggested a third site i.e. property designated for the establishment of a “City of University” by the previous (8th) government, albeit with hesitance from the current government. The site is located in Aileu municipality in the South (one and a half hours drive from Dili). Thus, on October 29, 2024, the MCA Team together with representatives from the Ministry of Higher Education conducted a field trip to Aileu for a preliminary assessment of the site.

The purpose of the visit was to MCC and as well as MCA-TL colleagues a clearer picture of different site selections available for the construction of the future CoE facility. MCA-TALENT collected information from each site visit using the “MCC Guidance for Site Selection Criteria” and shared them with MCC accordingly. At the time of writing this report, a total of six (6) sites had been identified and assessed by the then Compact Development Team and MCA-TALENT teams. Moreover, additional assessment of the 2024 sites would be required to inform the MCC infrastructure team in the selection process of the most suitable site for the CoE construction.

Temporary Space for CoE Activities

To ensure the effectiveness of the Center of Excellence activities prior to EIF, it was vital that GoTL made available temporary working space for CoE that was acceptable to MCC—one of the Conditions Precedent under the TALENT project which GoTL must comply with prior to the initial disbursement of compact funds. Temporary space would be utilized for the CoE pre-service teacher training activities while the CoE building is being constructed. Thus, aside from the efforts deployed to identify potentials sites for the Center of Excellence in 2024, the TALENT team also worked with government counterparts particularly, the Ministry of Education to identify suitable space to be used as a temporary location for the CoE.

4.2.6. TALENT Project challenges

This section describes the challenges faced by the project in 2024 and strategies undertaken to address/mitigate them. Challenges faced by the TALENT project in 2024 were in many folds:

Building Trust and Foster Partnership

After a year of transition from CDT to MCA-TL, it was important to re-engage the stakeholders of the TALENT project and work collaboratively in the development of the project.

It was particularly challenging when stakeholders (particularly, the Ministry of Education and the Ministry of Higher Education, Science and Culture) questioned the timeline of the project implementation. For example, in a meeting with H.E. Ms. Dulce de Jesus Soares, Minister of Education in January 2024, she revealed the tremendous need for donor support in the education particularly, in the secondary education level and at the same time expressed her doubts regarding whether the TALENT project will be implemented.

Similarly, H.E. Minister Jose Honorio Geronimo of Higher Education expressed his support for the Compact project and urged the MCA-TL team to work harder with relevant line ministries during the preparatory phase to avoid further delay in the project implementation. The Minister expressed his willingness to collaborate with MCA-TL in any way possible in the site selection for the Center of Excellence facilities and everything else related to it.

MoE request for support in curriculum revision

Since the inception of the TALENT project design in 2019, the Minister of Education, through H.E. Minister Dulce de Jesus Soares (who was then the Vice-Minister of Education) had specially asked MCC to support the Ministry in its efforts to reform/ revise the national curriculum for Secondary Education. Due to the conflicting educational priorities and the change of leadership within the Ministry of Education, the discussion on the curriculum revision/ reform was put off-line until the current (IX) Government took over in 2023 when Ms. Soares return to Office as the Minister of Education.

Considering how important the curriculum reform for the future of Timor-Leste, Ms. Soares has time and again advocated for partner support in the sector including raising it over and again in every meeting with MCA-TL and MCC.

For the TALENT program, such an initiative to revise the curriculum was vital for the greater impact of the project intervention. Training teachers and school leaders on an updated secondary school curriculum will have positive impact in student learning outcomes. The real challenge, however, was the lack of Compact fund to support the work. The current Compact fund for TALENT project does not include the curriculum which made it hard for MCA-TL and MCC to address the needs of the Ministry. The best possible answer both MCA-TL and MCC could provide at that moment was that “*we acknowledge support for the curriculum revision is not included in the Compact project funds, but MCC will explore partnerships with other potential international donors who might help support the work.*” At the time of the writing of this report, efforts were being undertaken by MCC to explore potential donors who are interested to support sector. As soon as there is news from MCC regarding the request of the Minister, MCA-TL will provide a response to Minister Soares.

Delay in DAI contract signature

The deliverables under DAI contract were scheduled to take place from the month of June 2024 to March 2025 for the Base Year and the Option years (5) from March 2025 to June 2030 consecutively. This means that the Base Year or pre-EIF year consist of around nine months of preparation before the implementation phase (Option Years 1, 2, 3, 4, 5) in March 2025. Due to the delay in the procurement processes, the DAI contract agreement was only signed on September 16, 2024. As a result, the nine months TALENT project activities (a total of 11 deliverables) were compressed to seven months.

Delay in recruitment of TALENT key staff

Delay in recruitment of TALENT Key Staff affected the performance of the team in securing achievements of key milestones leading to the Compact implementation in March 2025. The recruitment of the key staff for the MCA-TL (including for the TALENT project) commenced in September 2023. By March 2024, MCA-TL had recruited the Managing Director who was the only key staff for the TALENT Project at the time. In September 2024, a second key staff to occupy the position of Director of Secondary Education was recruited. Recruitment of the positions of CoE Infrastructure Manager and Director for Center of Excellence (CoE) were announced and will be picked up in 2025.

4.2.7. Future plans and next steps

There are several project milestone activities to be undertaken during the pre-EIF period. For instance:

1. TALENT school visit to all secondary school around the territory to meet teachers and school directors to sensitize them about the TALENT project in general, and to prepare them for the upcoming teacher and school leader study needs assessment, and raise awareness about the PISA for School evaluation,

2. Three Study Needs Assessment: Institutional Capacity Assessment (ICA), Teacher Training Needs Assessment (TTNA) and School Leader Study Needs Assessment (SLSNA)
3. Recruitment of a design and supervision firm for the CoE and WEEE,
4. Continue the coordination work with the Technical Working Group (TWG) for the PISA for School Project (training/workshop and selection of school base coordinator for PISA test) and prepare for the implementation in 2025,
5. Continue with assessments of the potential sites for the Center of Excellence in Becora, Hera, Metinaro, and Aileu to guide the MCC education infrastructure team in their assessment of the land.

5. Cross-cutting themes

5.1. Social Analysis

Millennium Challenge Corporation (MCC) recognizes that inequality has become persistent, systemic, and an institutionalized barrier to economic, social, and political opportunities that certain groups face in society. The structural inequality can be a significant constraint to economic growth and poverty reduction including access to the sector's resources and services for men, women, children, people with disabilities, and the elderly. Lack of access to resources and services has limited the skills and capacity of women to participate in the development process. The MCC social analysis policy aims to promote economic growth and poverty reduction. Specifically, it aspires to empower women to have income security, decent work, and autonomy. Millennium Challenge Account, Timor-Leste (MCA-TL) will ensure that projects under the compact remain aligned with MCC's social analysis policy. It is essential for country partners to meet and integrate social analysis in all stages of compact development, design, implementation, monitoring and evaluation of programs funded by MCC. Considering the importance of integrating social analysis components regularly and systematically in all stages of MCC-funded projects, this social analysis section of the annual report provides information on how activities social analysis was integrated across the TALENT and WSD projects.

5.2. Timor-Leste Sixth National Women's Congress

The 6th National Women's Congress for the period of 2025–2029 was held from December 17–20, 2024. The event was held to provide a platform and opportunities to advocate for policy change concerning women's and girls' rights to participate in the development processes. The platform for action policy document produced during the congress included the following recommendations

1. It advocated for policy change to increase up to 30 percent of women's participation in leadership positions across all sectors including education sector which is relevant to talent projects.
2. It was recommended that the Ministry of Social Solidarity and Inclusion provides safe homes (shelter) to the victims of Trafficking in Persons (TIPs). A safe home is currently not available in the country and some victims of TIPs were retained in the Uma Mahon in Dili. MCA-TL will implement the infrastructure projects, and the construction works is tentatively scheduled to commence at the beginning of 2026. Therefore, it is important to ensure that services such as shelters for TIPs are available and accessible to TIP victims.
3. Advocated to the Women's parliamentarian Groups to remind the government to take serious considerations to the platform of action produced at the 6th National Congress of Timor Leste's women.
4. Recommended to the Secretary of State for Gender Equality (SSGE) to ensure that the 2025-2029 platform for action is implemented by each line ministry including allocating the funding

through the state budget in 2025 onwards or exploring donor assistance to design the programs in response to the recommendations produced at the congress⁴.

5.2.1. Social analysis in the TALENT project



The Social Analysis Director conducted a presentation on social analysis and how to integrate women's economic empowerment activities in the TALENT project and coordinate Women Economic Empowerment (WEE) activities in the implementation of the project. It also highlighted the importance of DAI Social Analyst consultant working in conjunction with the WEE consultant under the TALENT project to ensure that women's issues are addressed including a legal framework in place to support the project implementation.

As part of the preliminary assessments of the inception report, on October 11, 2024, the Social Analysis Director and DAI's Social Analyst visited two secondary schools namely, *Escola Secundaria Technical Vocational de Industria e Tecnologia*, and *Escola Ensino Secundaria No. 4* in Dili. The objective of the visit was to gain an in-depth understanding of real challenges encountered by students and teachers, including women teachers and female students. Interviews were conducted with both students and teachers at the schools during the visit.

The WEE strategy, produced as part of the annex in the inception report of DAI's training and institutional support contract, and equity materials were included in the implementation plan matrix, which will be considered in the design of teachers' training materials.

DAI Inception report was submitted to MCA-TL for feedback and the Social Analysis Director provided comments on the draft report prior to the final submission of the report to MCA-TL.

The terms of reference for Women Economic Empowerment (WEE) were completed in November 2024 and will be advertised in the second quarter of 2025.

5.2.2. Social analysis in the Water, Sanitation, and Drainage (WSD) project



A joint stakeholders' workshop on risk assessment for TIPs was organized by NOD on August 15, 2024. The workshop was attended by 55 participants from government officials, MCC, civil society organizations, private sectors, UN agencies, and other development partners.

The objective of the workshop was to identify potential risks associated with the WSD project that require management measures to any potential risks that may affect women and other disadvantaged groups. Such risks and forms of abuse include, inter alia; sexual exploitation and abuse (SEA), sexual harassment (SH), forced or compulsory labor, harmful child labor, and trafficking in persons that may arise during the project planning and implementation.

As part of knowledge sharing, social analysis presentations were provided to NOD staff members on what is expected of them per contract requirements of the social analysis component of the ESIA report. The Social Analysis Director emphasized that the social analysis and implementation plan should include key findings from the assessment, how the social analysis approach will be mainstreamed into lower-income family-related activities, how stakeholders will be engaged, and produce action plans with clear responsibilities, timing, and resources. Inputs were provided by MCC and MCA-TL to the socio-economic survey questionnaires for preparation of the phase one survey for bus drivers and fishermen.

The ESIA report will ensure that the lower-income family rights are taken into consideration and standard management measures are in place to minimize the project impacts particularly to the target families.

Institutional strengthening of Beé Timor-Leste is one key area in ensuring the long-term sustainability of the WSD infrastructure project investments. Under this component, social behavioral change efforts activities will improve household water management and hygiene practices. In the next reporting period, the social analysis team will work closely with the social behavioral change team to conduct awareness raising and advocacy at the household level to promote exclusive breastfeeding, and to improve hygiene practices in our target areas of intervention. In addition, integrating the science, technology, engineering, arts, and mathematics (STEAM) program to create a career path for women at Beé TL and mainstream WEE into WSD-planned activities will ensure high numbers of women's participation in the water sector-related fields.

In line with this, inputs on WEE were provided to the draft terms of reference for the institutional capacity development of Beé TL to ensure that WEE activities are integrated at all levels. This will include developing a WEE strategy and implementation plan as part of the institutional capacity needs assessment inception report.

5.3. Social analysis capacity building and knowledge transfer

5.3.1. MCC social analysis forum

As part of the onboarding process, the Social Analysis Director participated in the MCC's social analysis forum held from September 11–17, 2024 at MCC's Headquarters in Washington, D.C. The objective of the forum was to provide opportunities for MCC and MCC Country Partners to reconnect in person, and share experiences, lessons learned, and tools from across MCC's portfolio as it relates to Women Economic Empowerment (WEE).

The main goal of the conference was for participants to get key takeaways with concrete ideas and tools for integrating social analysis activities in compacts and threshold programs, improved contract and project management, and enhanced social safeguards. In addition to the presentations by MCC staff, the social analysis experts from Millennium Challenge Account entities, compacts, and threshold development teams, along with MCC staff shared lessons learned, and best practices, and exchanged ideas on effective implementation of compacts and thresholds.

On day two of the event, the Social Analysis Director shared lessons learned and video from Timor-Leste's compact during the mobilization process including success stories of both WSD and TALENT projects. She also presented the way forward for the successful implementation of the compact in Timor-Leste. The presentation highlighted the success stories and challenges encountered during the mobilization stages and provided recommendations on the way forward. One of the recommendations highlighted was to have a social analysis and implementation plan before entry into force. Furthermore, establishment of a social analysis department at the Ministry of Education, Youth and Sport was recommended. This can be done as one of the requirements in the Memorandum of Understanding between MCA-TL and the Ministry of Education, Youth and Sport. On day five (September 15, 2024), a video illustrating real challenges faced by Timor-Leste's women teachers due to the lack of childcare facilities was shared. The TALENT project is a great example of how incentives such as childcare facilities and transport stipends are available to support women who attend training.

Upon return to Timor-Leste, the Social Analysis Director made presentations to all MCA-TL staff and explained ways to integrate social analysis into all aspects of the compact. A similar presentation was made for staff members of Nicholas O'Dwyer (NOD) on their planned Environmental and Social Impact Assessment (ESIA) report. It was emphasized that social analysis and implementation plan strategy should include key findings from the assessment. The presentation also highlighted how the approach would be mainstreamed in the implementation plan including approaches that enable

participation of lower-income families in the project activities, stakeholder engagements and action plans with clear responsibilities, timing, and resources.

Several standalone social analysis activities that aim to promote women's participation and leadership are ongoing. MCA-TL is in the process of recruiting a Social Analysis Specialist to support the social analysis department. The terms of reference for this role were completed and cleared by MCC for advertisement in January 2025.

5.3.2. MCA-TL Social Analysis lesson learnt and challenges

The social analysis challenges encountered during the reporting period were a lack of a quota of 30 percent women in leadership positions across all sectors. This situation has led to challenges in promoting women in leadership positions for TALENT project. The lack of a social analysis department at the Ministry of Education, Youth, and Sport also contributed to the lower number of women being promoted to leadership positions in secondary schools in Timor-Leste.

6. Monitoring, Evaluation, and Learning

6.1. Developing the MCA-TL M&E plan



The process of developing the MCA-TL M&E plan commenced in November 2024 with the development of the M&E Plan work plan as a proactive measure ahead of the uncertain Entry into Force (EIF) timeline. Recognizing that M&E Plan approval is a multi-phase, stakeholder-intensive process requiring 180 days post-EIF, the MCA Director of M&E and Economic Analysis, in close collaboration with the MCC M&E team, initiated the drafting of the work plan to align with the M&E Plan approval process flow. The work plan incorporated five approval process phases—from administrative planning to M&E Plan revision and formal review. This includes tasks such as Indicator Tracking Table (ITT) creation in the MCC MIS and securing MCC No-Objection (NO), among others. Specific task dates were omitted in its draft form due to EIF uncertainty. Further revisions to the work plan will be prioritized in the next reporting period to ensure full alignment with MCC's process flow once the EIF date is confirmed, securing compliance with the 180-day approval window. After finalization and the accompanying MCC NO and MCA-TL Board approval, this M&E plan will position MCA-TL to rigorously track performance, generate robust evidence for decision-making, and fully tailor strategies as circumstances demand, ensuring compact agility.

6.2. The MCC M&E College Event

The M&E College event held in Washington, D.C., from September 18–24, 2024, convened a diverse group of M&E professionals and experts from Millenium Challenge Accounts implementing MCC Compacts and Thresholds around the world (Fig. 13).



Figure 13: Group photo of MCA and MCC participants at the M&E College in Washington, D.C.

The event explored key themes and advancements in monitoring, evaluation, and learning practices. The event fostered discussions on high-quality evaluations, ethical considerations in data collection, country-level M&E ecosystem strengthening, cost-benefit analysis in evaluations, best practices for program closeouts, and the role of evidence in shaping effective policies. These deliberations were critical in reinforcing the role of M&E in improving policy implementation, ensuring accountability, and enhancing learning across various development sectors supported by MCC.

The key themes and discussions are described below:

Results and Learning Frameworks

One of the key sessions covered the Results and Learning model, emphasizing MCC's evidence-based approach to development. Participants explored how data transparency, cost-benefit analyses, and evaluation briefs shape MCC's investments and learning processes.

Evidence-based approach and project logic

Discussions further centered on MCC's evidence-based approach to project design. The Project Logic Framework was introduced, emphasizing causal relationships, risk assessment, and key assumptions critical to project success.

Monitoring and Evaluation Planning

Sessions on Foundations for program monitoring and M&E Plans for MCC Compacts and Thresholds delved into the structure and components of effective M&E Plans. Discussions highlighted the need for continuous plan modifications to ensure alignment with evolving project contexts and strategic objectives.

Linkage of Cost-Benefit Analysis (CBA) to Indicators

A deep dive into how M&E frameworks integrate economic analysis underscored the necessity of linking CBA projections to performance indicators to track the real-time economic impacts of interventions. This further emphasized the Economic Rate of Return (ERR) as a key metric for project feasibility. Participants conducted a comparative analysis of infrastructure investments, evaluating how

MCC integrates CBA into project selection and risk assessment. A key takeaway was the need for structured review processes to ensure program modifications align with overarching development goals.

Best practices in data collection, program modifications, and adaptive management

The session underscored the importance of translation accuracy, questionnaire design, and the use of Computer-Assisted Personal Interviewing (CAPI) for data reliability.

Indicator Tracking Tables (ITTs) for Effective Monitoring

This hands-on session outlined systematic approaches to ensure high-quality data, enabling participants to appreciate and comprehend Indicator Tracking Tables (ITTs), emphasizing their role in quarterly performance reviews. Discussions covered common pitfalls, such as data entry errors and irregular reporting trends.

Implementing high-quality evaluations and ethical Considerations in data collection

The event underscored the importance of independent evaluations, robust program logic, and theory of change in ensuring the credibility of M&E efforts. The discussions stressed the need to define clear indicators, incorporate quantitative and qualitative methodologies, and maintain transparency in public reporting.

Ethical data collection was a central theme. MCC provided a structured approach to ensuring informed consent, protecting personal data, and mitigating biases in evaluations. Participants were reminded of the importance of aligning evaluations with internationally recognized ethical guidelines and ensuring that all research involving human subjects adheres to the highest ethical standards.

6.2.1. Outcomes, insights, and key takeaways from the MCC M&E College

- a) **Enhancing M&E with Causal Analysis:** Strengthening evidence-based decision-making in M&E by integrating causal analysis, risk management, and project logic best practices can go a long way toward ensuring compact effectiveness.
- b) **Institutional buy-in for M&E:** The event reinforced that successful M&E integration requires senior leadership commitment and active stakeholder engagement.
- c) **Enhanced learning and knowledge exchange:** The event successfully facilitated the exchange of M&E best practices across different countries and sectors, reinforcing the importance of adaptive learning and evidence-based decision-making. This included strengthening M&E systems through institutional partnerships and technical assistance.
- d) **Increased focus on ethics and data integrity:** Ethical concerns and human subject protections were emphasized as essential components of any robust M&E framework to facilitate ethical and independent evaluation processes to enhance credibility.
- e) **Practical Applications of Cost-Benefit Analysis:** Sessions included integrating cost-effectiveness analyses into evaluation frameworks to optimize resource allocation. Participants gained practical insights into integrating cost-benefit analysis into evaluations to improve program accountability and sustainability.

The MCC M&E College advanced the discourse on evidence-based decision-making, capacity-building, and evaluation best practices across MCC Compacts and Thresholds. The event fostered collaborative learning and strategic dialogue among M&E professionals, contributing to a more coherent, evidence-driven development agenda.

7. Procurement and contract management



The program is in the preparatory stages towards Entry into Force (EIF) which is anticipated in March 2025. In this regard, the fit-out and furniture contract was an important achievement, in that, MCA has spacious offices and most of the furniture were delivered. To enhance mobility, three (3No.) 4WD vehicles have been procured. IT equipment, particularly laptops, servers, and video conferencing equipment have been procured to facilitate the staff in their work and meetings. Development Alternatives International, Inc., (DAI), the consultant procured to support the TALENT project commenced the assignment on September 6, 2024. On the other hand, Nicholas O'Dwyer, the consultant undertaking the design work for the WSD project was engaged and commenced the assignment in the previous reporting period on September 22, 2023.

7.1. Major procurements planned and completed

Table 9 displays the procurements executed during the reporting period.

Table 9: MCA-TL items procured in 2024

S/no.	Item description	Quantity
1.	Laptops and peripherals	55
2.	Fit-out works and furniture for CBD 10 Levels 3 and 4	Lumpsum
3.	Web Design and maintenance	Service
4.	4x4 motorcars	3
5.	TALENT Project: Training and institutional support contract	Consultancy services
6.	Banking services for MCA bank account	Service
7.	Provision of cleaning services	Service
8.	Provision of audit services	Service
9.	Meeting conference services	Assorted
10.	Printers and shredders	
	i) Large Printers	2
	ii) Desktop printers	4
	iii) Heavy duty paper shredders	3

7.2. Contract management and oversight



Under MCC program procurement, contract management is differentiated from contract administration. Contract management is carried out by the sector experts who monitor and enforce the programmatic requirements of the contracts, like accepting deliverables. In this regard, the sector experts in MCA-TL are charged with the responsibility of writing acceptance notes confirming that what has been delivered by suppliers is in accordance with their specifications and deliverables in the terms of reference.

Contract administration involves carrying out the administrative or procedural requirements of the contract, in coordination with contract managers. The activities that are carried out involve support activities and processes necessary to ensure that every contract is implemented effectively and efficiently. In MCA-TL, this is done by the procurement team (Procurement Director and the Procurement Agent), with the support of sector directors, Finance Director and the Legal Counsel.

Contract Performance Management Workshop

A workshop on Contract Performance Management was carried by MCC on October 17, 2024, with a goal of enhancing the understanding of effective contract administration, management, and monitoring by MCA-TL staff. Key aims included improving collaboration among the MCA-TL teams, practicing strategies for difficult conversations, and developing robust contract management and performance plans. In this regard, there was an emphasis on the critical role of integrated collaboration among various MCA-TL teams which included, Sector Directors, Fiscal, Procurement, and Legal, department staff throughout the entire contract lifecycle. The session highlighted the necessity of a proactive approach to contract oversight, advocating for diligent execution planning, communication, and change management over a passive “wait and see” strategy to ensure optimal project outcomes. Further, the participants were taken through the importance of improving contract administration, practicing strategies for handling difficult conversations using the COIN method (Context, Observation, Impact, Next Steps), and developing a comprehensive contract management plan. Other areas that were covered included governance structures, roles and responsibilities, performance indicators, reporting procedures, payment protocols, and issue management. The session also highlighted the importance of clear communication, ethical behavior, and maintaining professional relationships throughout the contract process.

Emphasis was also placed on roles and responsibilities, governance, and adherence to key performance indicators, deliverables, and reporting requirements. In addition, the workshop highlighted behaviors that harm consultant relationships, such as poor communication and delayed payments, while promoting proactive management, risk mitigation, and ethical practices. Participants engaged in practical exercises to enhance conflict resolution and stakeholder engagement. Scenarios were also presented to demonstrate how to address common challenges, including late report submissions and communication issues. The presentation concluded with guidance on planning next steps, ensuring proper documentation, and applying consistent strategies for successful contract execution and evaluation.

In addition, to enhance MCA-TL team’s project management abilities, the MCC Integrated Project Management Team organized and facilitated a training in May 2024.

7.3. Challenges encountered in procurement and mitigation measures

Inadequate Internet Services—corrected in part by introducing Starlink. The procurement agent continues to run digital records for itself and MCA-TL.

Low response to procurement opportunities by vendors and suppliers in the local market meant that we could not obtain adequate bids and quotations in response to our tenders. Moreover, many of the local vendors who responded had limited capabilities and glaring inefficiencies, prompting us to source for some goods and services from the international market. To avert this challenge in the next fiscal year, we reached out to the National Chamber of Commerce to get more potential bidders. Going forward, MCA-TL will also advertise offers in the local newspaper and social media. The PA continues to run digital records for itself and MCA-TL.

8. Strategic partnerships and stakeholder engagement



At a strategic level, MCA-TL cultivated a network of engagement that transcends project-specific interactions, positioning itself as a pivotal player in Timor-Leste’s development ecosystem. Focal points within relevant ministries, identified as vital for teamwork and networking, were established, though their roles require reactivation to maximize effectiveness. This system ensured direct lines to executive offices, facilitating swift decision-making. These strategic engagements ensured alignment of compact objectives with national development

priorities, gradually fostering greater local ownership, and bolstered the visibility of the WSD and TALENT projects. In 2024, MCA-TL leadership focused on building alliances with agencies such as the Secretariat of State for Land and Property, the Ministry of the Presidency of the Council of Ministers, and other influential actors, all of which shape the legislative and administrative environment for compact delivery. During the period, public consultations, particularly for the WSD project, exemplified MCA-TL's commitment to transparency and inclusivity, as noted on the website. These efforts build community trust and refine project plans with local insights. Strategically, the partnership with MCC stands paramount, reinforced by high-level engagements like the prior visit from MCC Vice President Jonathan Brooks. This relationship aligns funding with objectives, while potential collaborations with other donors; though not yet detailed, offer avenues for broader impact. MCA-TL's strategic engagement is a deliberate bridge between national goals and international support, setting the stage for transformative outcomes. Regular meetings with MCC and the Ministry of Planning and Strategic Investment ensured alignment with national development plans. Challenges arose from inconsistent stakeholder participation, prompting MCA-TL to formalize protocols for regular updates and feedback loops.

8.1. Government collaboration



During the period, close working relationships with the Ministry of Finance remained the cornerstone of MCA-TL's governmental engagement, given that the Minister of Finance exercises overall tutelage over MCA-TL. Key interactions involved budget execution and planned trainings on the government's Free Balance System. The Ministry of Justice and the Secretary of State for Land and Property tackled land certification and negotiations, critical for project sites, finalizing payments to landowners/ project-affected persons (PAPs) for WSD infrastructure sites and launching procurement for DED firms. All relevant stakeholders played a pivotal role in resolving land disputes, though delays persist due to bureaucratic hurdles. The Ministry of the Presidency of the Council of Ministers supported legislative needs, such as Decree Law amendments, while ANLA provided environmental licensing.

The Inter-Ministerial Meeting, a decisive forum for land issues, exemplifies this collaboration, driving solutions through collective authority. Routine engagements—like tax payments, social security registration, and asset transfers—further embed MCA-TL within the governmental fabric. These interactions, detailed in the handover note's contact lists, ensure that MCA-TL leverages state resources and authority effectively, aligning the Compact with national priorities.

8.2. Development partner coordination



The MCC representing the U.S. Government is MCA-TL's primary development partner, providing both funding and strategic guidance. However, MCA-TL actively engaged with other donors (such as the World Bank, Asian Development Bank, UN agencies, and USAID) to ensure alignment of programming and leverage complementary efforts.

In 2024, MCA-TL's growing capacity and visibility—highlighted by workshops and consultations—positioned it to explore broader coordination. This could enhance resource mobilization and expertise sharing, amplifying the compact's potential impact. For now, the MCC partnership remains the linchpin, with room to further expand this network in 2025.

8.3. Community and civil society engagement



Community and civil society engagement stands as a pivotal pillar in ensuring the successful implementation and sustainability of the compact's projects in Timor-Leste. MCA-TL recognizes that local buy-in is indispensable for both WSD and the TALENT

initiatives. As part of its broader stakeholder outreach, in 2024, MCA-TL continually emphasized the need to foster strong relationships with local leaders, grassroots organizations, and community groups in all project-affected areas. These engagements not only helped build trust but also enhanced transparency in processes such as land acquisition, environmental impact assessments, and project design.

By involving civil society organizations (CSOs) early and consistently, MCA-TL leverages their on-the-ground expertise, local networks, and deep understanding of community dynamics. CSOs play a key role in identifying socially and culturally appropriate ways to communicate project goals and to address concerns related to displacement, environmental impacts, or other disruption to local livelihoods. These joint efforts with local NGOs and community representatives help in mitigating risks and creating a platform for broader knowledge exchange.

In addition, such crucial local engagements are valuable in securing community ownership for major infrastructure investments. MCA-TL has instituted regular public consultations, community briefings, and feedback loops so that local stakeholders can meaningfully influence project decisions, timelines, and possible alternatives. Such inclusive engagement proved especially important for understanding nuanced land-use rights, resolving conflicts among PAPs, and ensuring social safeguards remained integral to each stage of project planning.

Ultimately, this community-driven approach not only strengthens MCA-TL's ability to deliver on infrastructure and educational reforms but also paves the way for long-term resilience and enhanced human development outcomes across Timor-Leste.

9. Challenges and risk management

9.1. Major challenges faced at the MCA-TL strategic/ executive level

MCA-TL faced significant strategic challenges in 2024. From a strategic perspective, MCA-TL's major challenges centered on timing, resource mobilization, and regulatory compliance. Land acquisition stood out as the single largest hurdle—there were persistent administrative and negotiation-related delays in finalizing payments to Project-affected Persons (PAPs), clarifying ownership, and legally transferring titles.

Additional issues revolved around completing complex procurement processes for both WSD and TALENT project components, ensuring that each step met rigorous MCC standards for transparency and efficiency. The nascent stage of MCA-TL's organizational structure also carried inherent growing pains, including the need for swift staff recruitment, adequate technical training, and robust internal systems to handle a high volume of budget execution tasks.

Some of the major challenges encountered are further explicated below:

- **Land Acquisition:** Securing land for both projects, a condition precedent, encountered delays due to negotiations and compensation complexities. Finalizing payments to PAPs for land designated for WSD infrastructure (e.g., wastewater treatment plants, pump stations, and connection systems) is ongoing but incomplete. The process is slow, risking delays in securing legal ownership certificates.
- **Recruitment:** Staffing MCA-TL with qualified personnel lagged, hindered by a limited talent pool. Recruitment for international and national staff required approvals from multiple stakeholders, including the Ministry of Finance and MCC. Roles requiring specialized expertise (e.g., engineering, project management) face a limited talent pool in Timor-Leste.

- **Organizational Structure:** Completing MCA-TL’s framework, including Board formation, demanded extensive effort, however, the Board was fully constituted during the reporting period.
- **Conditions Precedent:** Meeting MCC’s prerequisites strained resources and timelines given delays in staffing and Board formation.
- **Budget Execution:** Integrating with the Free Balance system delayed state budget utilization. MCA-TL staff required training to navigate the Free Balance system, but this process remained pending approval from the Director General of Treasury in the Ministry of Finance. Without trained personnel, MCA-TL cannot independently execute budgets or process payments through the designated government system.

These hurdles reflect the intricate realities of launching a large-scale program in Timor-Leste, testing MCA-TL’s adaptability at an executive level.

9.2. Strategic risk management measures

While not yet formalized in a distinct framework, MCA-TL’s risk management is embedded in its actions.

For land acquisition risks, the risk management strategy includes:

- Engagement of an Inter-Ministerial committee led by the Minister of Finance to address any pending or emerging land issues
- Development of a detailed Resettlement Action Plan (RAP)
- Early negotiation and contract signing with Project Affected Persons
- Transparent compensation processes with appropriate documentation

To address staffing and organizational risks, MCA-TL has:

- Initiated recruitment processes for key positions including Managing Director and Project Directors.

For compliance and procedural risks, strategies include:

- Regular coordination with MCC to clarify Condition Precedent requirements and ensure that they are satisfied before Entry into Force
- Early engagement with regulatory authorities for environmental licensing
- Preparation of necessary draft Decree Laws for future infrastructure management
- Proactive engagement with procurement authorities to streamline processes

The risk management will also incorporate regular monitoring and reporting mechanisms to ensure timely identification of emerging risks and evaluation of mitigation measure effectiveness.

9.3. Mitigation measures

During the period, MCA-TL implemented specific mitigation measures to address identified challenges and risks.

For land acquisition challenges, implemented mitigation measures include:

- Formalization of contracts with Project Affected Persons (PAPs). Contracts with PAPs were signed, with payments in progress, advancing site access.

- Engagement with Bee Timor-Leste to secure and fence the WWTP area

To address administrative and operational challenges, MCA-TL has:

- Registered all national staff for Tax Identification Numbers to ensure compliance
- Initiated insurance coverage for program vehicles and assets
- Secured official vehicle transfer documentation from the State Asset Management Authority
- Begun the process of transferring vehicle ownership from Government to MCA-TL
- Engaged with the Social Security Institute to establish staff benefits

For financial execution challenges, mitigation efforts include:

- Direct engagement with the Director General of Treasury to facilitate budget transfers
- Coordination with the Ministry of Finance for training on the Free Balance system
- Implementation of proper financial management procedures for operational expenses

These measures, while addressing immediate challenges, also contribute to building institutional capacity for long-term program implementation and sustainability of outcomes.

These measures have yielded partial successes—e.g., ongoing PAP payments—but persistent challenges like land disputes indicate a need for sustained effort.

10. Key priorities and outlook for the next year



As MCA-TL advances toward full Compact implementation in 2025, several strategic priorities have been identified to maintain momentum and achieve EIF for both projects.

For the WSD Project, key priorities include:

- Completing the recruitment of Managing Director and other Directors for project oversight
- Finalizing compensation payments to Project Affected Persons
- Securing and preparing land for the Wastewater Treatment Plant, pump stations, and connection systems
- Completing the Resettlement Action Plan documentation
- Drafting necessary Decree Laws related to project implementation and infrastructure management
- Launching procurement for Detail Engineering Design firms
- Initiating procurement processes for construction companies
- Pre-ordering critical construction materials to mitigate supply chain risks

For the TALENT Project, priorities encompass:

- Identifying and finalizing procurement for land to be utilized for the Center of Excellence
- Conducting required economic surveys and environmental assessments
- Developing the Resettlement Action Plan for obtaining project classification
- Identifying temporary facilities for in-service teacher training initiatives

- Collaborating with DAI Firm to finalize a viable conceptual design
- Launching procurement for Detail Engineering Design services
- Establishing a Technical Review Committee for document evaluation
- Completing staff recruitment for project implementation

These priorities are sequenced to address critical path requirements and ensure readiness for full implementation upon achieving Entry into Force.

10.1. Anticipated challenges and opportunities in 2025

Looking ahead to 2025, MCA-TL anticipates both continued challenges and emerging opportunities that will shape compact implementation.

Anticipated challenges include:

- Potential delays in land acquisition processes, particularly for the TALENT Project
- Complex coordination requirements across multiple government agencies
- Procurement delays due to technical complexity of both projects
- Capacity constraints in local construction sector for WSD implementation
- Ensuring timely disbursement of government counterpart funding
- Maintaining project momentum amid potential political transitions
- Managing community expectations regarding project timelines and benefits

However, several opportunities have also been identified:

- Growing government awareness and commitment to water, sanitation, and education sectors
- Potential for leveraging complementary investments from other development partners
- Increasing technical capacity within key implementing ministries
- Opportunities for knowledge transfer through engagement of international firms
- Potential economic stimulus through local employment in construction activities
- Alignment with broader urban infrastructure planning in Dili
- Increased public interest in improved water and sanitation services

By proactively addressing challenges while capitalizing on available opportunities, MCA-TL can enhance implementation effectiveness and maximize development impact in the coming year.

10.2. Long-term vision and strategy

All activities planned in 2025 serve to lay a durable foundation for the compact's five-year implementation phase. By achieving early momentum in finalizing land processes and accelerating project designs, MCA-TL sets the stage for impactful, large-scale infrastructure outcomes and robust capacity-building in the education sector. This early emphasis on institutional strengthening—strong financial systems, skilled human resources, and inter-ministerial coordination—plays a decisive role in achieving the compact's ultimate goal of bolstering Timor-Leste's economic growth and improving the well-being of its population over the long term.

11. Recommendations



Based on the experiences and challenges identified during the transition period, the following recommendations are proposed to enhance program delivery, operations, stakeholder engagement, and financial management.

1. **Strengthen Inter-Ministerial Focal Points:** Reactivate or reappoint clearly mandated focal points in each critical ministry to streamline approvals and reduce cross-agency lag.
2. **Enhance staff capacity:** Formalize a training schedule for MCA-TL staff on financial systems (Free Balance) and MCC procurement standards; create internal knowledge-sharing forums to maintain consistent project management practices.
3. **Formalize risk management:** Develop a consolidated risk register and ensure quarterly reviews at the board level, focusing on both strategic and operational risks.
4. **Engage development partners proactively:** Organize regular donor roundtables to share updates, identify collaborative opportunities, and synchronize timelines, reducing the risk of duplicative efforts.
5. **Accelerate procurement timelines:** Introduce early “pre-procurement” processes—such as market soundings—to minimize lead times once budgets are approved.
6. **Improve financial reporting:** Develop more frequent, standardized financial reporting for the Ministry of Finance and MCC, enhancing transparency and trust in MCA-TL’s stewardship of funds.
7. **Sustain communication:** Implement a stakeholder communication strategy that includes regular briefings for government, civil society, and beneficiary communities, clarifying timelines and managing expectations.
8. **Maintain momentum on MCA-TL Board engagements:** Finalize any outstanding board appointments to ensure full governance oversight and ensure frequent engagements which is critical for timely decision-making.

12. Conclusion

In conclusion, the Millennium Challenge Account Timor-Leste achieved significant milestones in 2024, laying a robust foundation for the effective implementation of the Compact. Throughout the year, strategic institutional advancements, rigorous stakeholder engagement, and comprehensive project preparations in water, sanitation, and education positioned MCA-TL firmly on the path toward transformative economic and social development in Timor-Leste.

Institutionally, MCA-TL transitioned effectively from the Compact Development Team (CDT-TL), emerging as a fully operational, autonomous entity navigating the complexities inherent in the pre-EIF phase. The strengthened governance structure, including active oversight from the Board of Directors and the establishment of specialized committees, enhanced transparency, accountability, and operational efficiency. These internal enhancements significantly bolstered MCA-TL’s readiness to manage and execute the ambitious Compact objectives.

Programmatically, notable advancements were made in both the Water, Sanitation, and Drainage (WSD) and TALENT (Teaching and Leading the Next Generation of Timorese) projects. The WSD project navigated considerable challenges, particularly in land acquisition, yet made critical progress in its engineering and environmental assessments, positioning the initiative for impactful implementation. Similarly, the TALENT project secured foundational staffing and initiated essential partnerships. The

proactive advancement of the PISA for schools initiative, including securing Ministerial Expression of Interest and establishing a Technical Working Group, laid the foundation for vital baseline data collection, setting the stage for meaningful educational reforms. Moreover, strategic partnerships with relevant government ministries such as Public Works, Justice, and Education as well as public institutes such as BTL, ANLA, and DNRAS were actively nurtured, proving essential for addressing cross-cutting issues like land acquisition and regulatory development. The proactive initiation of the M&E Plan work plan and participation in the MCC M&E College further underscored MCA-TL's commitment to rigorous performance tracking and evidence-based management from the outset.

Despite the encountered challenges—ranging from complex land negotiations to dependencies on external financial frameworks, MCA-TL demonstrated resilience and adaptability. The entity's proactive risk management and dynamic stakeholder coordination underscore its capacity to manage complexity and deliver substantial results. The accomplishments and learnings from 2024 provide a solid platform upon which future MCA initiatives can flourish.

Looking ahead, MCA-TL remains committed to ensuring the successful realization of the Compact's transformative vision. Emphasizing the importance of continued collaboration with the Government of Timor-Leste, MCC, international development partners, local communities, and civil society remains embedded in MCA-TL's communications and engagement. Continued transparent communication, and adaptive management will be paramount in overcoming remaining obstacles and realizing the Compact's profound potential for human capital development, improve water and sanitation, enhance education quality, and ultimately drive sustainable economic growth and poverty reduction for the people of Timor-Leste.