

# Challenges and Ways Forward to Extend Social Protection for All in Timor-Leste:

## Assessment Based National Dialogue Report

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### EXECUTIVE SUMMARY

Timor-Leste's commitment to human development, and more specifically to social protection is explicit in the country's constitution<sup>1</sup> and policies. Impressive advances were made since the independence in 2002, with visible improvements in the economy, but also in health, education, poverty reduction and access to essential services. The country's economy increased more than four-fold in real terms since independence, mostly driven by revenues from the oil sector. These revenues were primarily invested into a wealth fund, created to manage the funds and guarantee that future generations can benefit from the country's natural resources.

However, the fast economic growth has not been fully accompanied by human development, many challenges remain and much has yet to be achieved to guarantee that all Timorese can enjoy a decent life and have opportunities to reach their full potential – in 2014, 41.8 percent of the population were living with less than US\$ 1.54 per day, the national poverty line.

Progress is slower in rural areas, and uneven among the municipalities that constitute the country. A significant percentage of those living above the poverty line are usually not far from it - more than 90 percent of the population lives with less than US\$ 5 per day, and households from all income levels frequently face difficulties to satisfy basic needs, such as nutrition, education, health and housing. Social protection can play a bigger role on investing the petroleum wealth in increasing human capital and in the improvement of wellbeing of the population.

Under the development framework laid by the National Strategic Development Plan 2011-2030 (SDP), the country set ambitious targets, including: develop infrastructure, provide access to electricity, water, sanitation, health and education to all, build strong and efficient institutions, enable a diverse and flourishing private sector, eradicate poverty and develop human capital, among others. All this with the vision of making Timor-Leste an Upper-Middle Income country by 2030.

In the international context, the country was a strong supporter of the 2030 agenda and the Sustainable Development Goals (SDG), which has as Target 1.3 *"implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable"*. Moreover, in 2015, the Community for Portuguese Speaking Countries (CPLP) Member Countries reinforced their commitment to the Social Protection Floors<sup>2</sup>, and Timor-Leste's government committed to develop its National Social Protection Strategy.

The Social Protection Floors (SPF) are the set of nationally defined basic social guarantees, with the goal to secure access to essential health services and basic income security throughout life to all. The SPF were approved internationally by all ILO Member States<sup>3</sup>, which must be developed and adjusted to each national context.

<sup>1</sup> According Article 56, paragraph 1 "All citizens have the right to social security and social assistance, according to law".

<sup>2</sup> See: CPLP. 2015. *Declaração de Tíbar*.

<sup>3</sup> ILO Recommendation 202, Social Protection Floors, 2012 (No. 202).

In this context, observing the rights guaranteed by the national Constitution and the international commitments made by the Government of Timor-Leste, the Ministry of Social Solidarity (MSS) set out to develop the National Social Protection Strategy, based on the Social Protection Floors concept, and through the exercise of an Assessment Based National Dialogue (ABND), with technical assistance of the United Nations (UN), as part of the ACTION/Portugal programme of the International Labour Organization (ILO).

The ABND is a participatory process that analyses the current social protection context, identify policy gaps, implementation and operational issues, develop recommendations to extend the SPF to all, and estimate the costs of proposed reforms. The process has the ultimate goal to create the technical basis, and to define a national SPF through a legitimate process, in order to lay the foundations for the National Social Protection Strategy (NSPS) and its developments. In Timor-Leste, the ABND process involved more than 20 national and international institutions, and took place between 2016 and 2018.

The Timorese social protection system offers a broad range of programmes and policies, including broad-based cash transfer schemes, social services to vulnerable groups, free public health and education services. When analysed as a whole, the system is fragmented, and shows divergences between broader national objectives and the investments allocated between different programmes.

The 26 social protection programmes analysed during the ABND use diverse methods to achieve a broad set of goals, which can range from reducing vulnerability, mitigation of shocks, and support to human development and access to essential services. However, the lack of an overarching and coordinated framework for social protection resulted in many gaps in the existing system, leaving many without coverage and adequate support – the National Social Protection Strategy, aims to provide the integrated policy framework for social protection in Timor-Leste.

Social Protection receives a significant share of the Government's expenditures, equivalent to 15.5% of the Non-Oil GDP in 2015. However, programmes for Veterans concentrate more than 50 percent of total investments in the area, which limits, to some extent, the fiscal envelop for other programmes. The unbalanced distribution of resources produce large disparities in the level of protection offered to the population, and the generous rules for inheritance of entitlements can result in growing inequalities between veterans' families and non-veterans.

Nonetheless, in the scenario of shrinking fiscal space on which Timor-Leste is likely to find itself in the following decade, it is important that any budget freed from the veterans' programmes to be transferred to other social protection programmes, and not be diverted to other purposes. A strategy for the gradual transference of resources freed from veterans' programmes to other measures, is an important instrument to ensure the financing of broader-based social protection policies in the long term. The earlier this is planned, and rules defined, the easier will be to cope with them.

The system's fragmentation and lack of overarching policy framework result in different programmes struggling with similar problems. Most programme suffer from the lack of resources, both financial and human resources, lack of mechanisms for quality assurance, monitoring and evaluation, and late release of funds for operations. This issues are often related to underling problems, such as inadequate or outdated management and information systems, the lack of coordination mechanisms, or dense bureaucracy. Much still can be done to enhance institutional capacity to better manage, deliver, monitor and evaluate programmes.

Among such improvements, better information exchange between Government agencies, which in turn can lead to establishment of comprehensive databases, facilitating data access and analysis, and lead to more efficient operations. The availability of data and coordination mechanisms can be



especially valuable for smaller, more specialized programmes, which often not have large teams nor budgets.

These findings indicate that Timor-Leste still does not have a Social Protection Floor established, and improvements can be done to guarantee that all individuals have access to essential health care services and income security throughout all stages of life.

Challenges to provide access to quality essential health services to all concern issues in both supply and demand for medical services. Improving the supply, and quality, of health services entails reinforcing the existing infrastructure, human resources and availability of medical supplies. But it also require expanding access through outreach programmes, such as *SISCA* and *Health in the Family*, and offering means for individuals to overcome barriers to reach medical facilities such as lack of transportation or means of communication.

On the other hand, the efforts put forward increase the demand of health care services should be reinforced, such as better educate the population on healthy practices and the importance of health care. Among the challenges that lie ahead are improving maternal and infant healthcare, coping with the rise in incidence of chronic and non-communicable diseases, and ending the widespread malnutrition in the country.

Malnutrition is perhaps the most critical health issue in Timor-Leste. The high prevalence rates of diverse issues related to malnutrition, such as stunting and wasting, is hindering development in the present and in the future – it is estimated that nutritional problems alone hinder economic growth by 1 to 2 percentage points per year, in addition to the many issues that affect an individual growing up undernourished. The severity and complexity of this scenario do not have a simple solution, and various, harmonized and coordinated actions need to put in place to cope with the many causes behind the problem: household preferences, income, education, access to water and sanitation, health status, and cultural traits.

The efforts to achieve income security to all has produced limited and unequal results. There are groups receiving generous support, while most of the population have little or no support.

Children, under 15, represent about 40 percent of the total population of the country, but are overrepresented among the poor – 55 percent of the poor are children. Despite the existence of various social protection policies targeted to children, there are still coverage gaps, and it is the age group that receives the lowest per capita investments in the country.

Among children, the group that receive fewer investments are children from 0 to 5 years old. The first years of life, starting during the pregnancy, are the most critical period for the physical and cognitive development of an individual, and extensive research shows that investments in early childhood, particularly in the first 1,000 days of life, yield the highest rates of return from investments. Thus, improving existing programmes and introducing additional provisions for this group, to guarantee proper care and achievement of infant's needs can bring large benefits for the long term development of the country.

The *Bolsa da Mãe* programme shows immense potential to improve the lives of vulnerable children. However, low benefit levels, difficulties in reaching the eligible population, limitations in budget and operational capacity prevent the programme from achieving greater impacts. Another underfunded programme for children is the School Feeding Programme. The programme reaches most children between 6 to 15 years old, and could provide a large contribution to reduce the rates of malnutrition



in Timor-Leste. Yet, insufficient budget and the report of several issues regarding the quality of the meals provided to children also reduce the benefits the programme could be delivering.

Individuals at the working age often find themselves without the support of any social protection programme and in a precarious labour situation. Participation rates in the labour force are relatively low, with around 30 percent of the population aged between 15 and 59 engaged in productive activities – women showing even smaller participation rates. Moreover, one quarter of the working age individuals are involved exclusively in subsistence agriculture.

Among the existing social protection programmes, most were designed to respond to specific and extreme vulnerability situations, such as natural disasters or gender-based violence, while labour related programmes offer limited coverage.

The introduction of the country's first contributory social security system in 2017 will increase the coverage and protection levels of workers and their families. However, its coverage will be mostly linked to formal employment, the minority of jobs in Timor-Leste, and as any contributory scheme, without subsidies, it will take decades for the system to reach maturity. For those in informal employment, including those participating in farming activities, public works programmes offer an income source to individuals with spare labour capacity, and serve as drivers for the development of community infrastructure. However coverage is low despite the existence than more than one public works scheme, and it is reported that the quality of produced outcomes can be improved. Expanding and improving the effectiveness of public work programmes can in generate jobs, reduce poverty, improve community assets, and boost local economies - especially in rural areas. Together, contributory schemes and non-contributory programmes show great potential to guarantee adequate benefit levels and coverage of the population at working age.

The social protection at old age is perhaps the most comprehensive among age groups. The social pension SAIL have near universal coverage, and its benefits although low, can still have impacts on poor and vulnerable households. The benefit has lost purchasing power, as its amount has not been adjusted since 2010. This need to be addressed, and the benefit levels adjusted to keep pace with inflation, against the risk of the pension losing its impacts due to the loss of real value of the benefit. Furthermore, the elderly often struggle to access specialized medical and care services, either by the lack of provision, public or private, or by lack of conditions to afford such services. As the older population increases in number and life expectancy raises fast, improving supply and access to specialized services for the elderly is essential to guarantee the wellbeing of this group.

Among the recommendations developed during the ABND process, some allowed the potential costs of reforms to be estimated. The costing exercises used the Rapid Assessment Protocol (RAP), a simple costing tool that uses demographic, economic, labour force and government revenues and expenditure projections to assess the costs of policy recommendations formulated by the participants in the dialogue process, in reference to GDP and Government Expenses. For Timor-Leste, 64 cost estimation scenarios were developed, covering reforms of existing programmes, such as *Bolsa da Mãe* and SAIL, and also the introduction of new provisions, such as allowances for children with disabilities and incentives to infant and maternal care. Additionally, a simple microsimulation exercise was conducted, with the latest household survey data available, in order to assess the potential changes in poverty incidence, given the introduction or reform of provisions.

These exercises showed that a combination of universal coverage with adequate benefit levels shows the most promising and cost-effective reforms for reducing poverty. Particularly, the simulations made for *Bolsa da Mãe* and SAIL made this evident – increasing coverage and benefit levels of *Bolsa*



*da Mãe* produced significant poverty reduction results, while efforts to restrict SAI only to poor individuals resulted in increased poverty rates, undoing most of the advances accomplished after independence. The introduction of benefits to early childhood, and disabled children also appear to be great cost-effective reforms, which would support extremely vulnerable groups, with large potential to improve significantly wellbeing at relatively low costs.

The financial costs of these policy changes need to be carefully considered. Investments in social protection represent a significant share of public expenditure, and the effectiveness of these investments need to improved. Priorities should be gradually shifted from policies that were designed to support cohesion and social peace, towards measures with higher impacts on the reduction of vulnerabilities and poverty reduction.

Thus, given these findings and recommendations, a few paths stand-out as either requirements or most promising reforms for the extension of social protection for all. Among the reforms that should be prioritized due to their potential impacts, are **strengthening measures to support Early Childhood development**, especially for the first 1,000 days of life, starting during pregnancy, and expanding the protection to the working age, particularly by **implementing fully the contributory social security system**, and by taken measures to **improve the protection of informal sector workers**. In turn, for any of these reforms to succeed, improving **institutional capacity to budget, manage, deliver, monitor and evaluate policies**, and **efforts to align policy priorities with better budget distribution** are essential, and will be key factors in translating investments in social protection into advances in human development and the wellbeing of the population.

The existing social protection system offers an excellent base, which, with adequate resources and sound policy choices, will produce further advances towards a Social Protection Floor to all in Timor-Leste, and the achievement of the goals set in SDP and the SDGs.





## ABOUT THE ASSESSMENT BASED NATIONAL DIALOGUE

Since March 2016, several institutions - including government agencies, Social Partners, and United Nations Agencies - have been working together through the participatory Assessment Based National Dialogue (ABND) methodology for the development of the National Social Protection Strategy for Timor-Leste (NSPS). The initiative is led by the MSS with technical assistance from the United Nations (UN) through the ACTION/Portugal project of the International Labour Organization (ILO) with the Republic of Portugal.

Based in working groups, which included Specialized Technical Groups (STGs), Document Drafting Committee, Extended Consultation Group, and a Decisions Committee, the ABND process followed a five step methodology. The ABND amounted to more than 50 bilateral meetings to gather information and exchange knowledge, 20 meetings of the STGs, and 3 workshops for all actors participating in the process. The concluding workshop was held on March 22, 2018.

The process began with a Vulnerability Assessment, which analysed data on poverty and vulnerability in Timor-Leste, with the aim of producing a diagnosis of the country's social protection situation.

In the second step, an Assessment Matrix was developed, a framework based on the four guarantees of the Social Protection Floors, which observed the existing social protection system, and identified gaps in policy design, issues in program implementation, and provided recommendations on how to advance social protection in the country. In total, 24 programs from 6 government institutions were analysed within the national social protection system.

The next step estimated the costs of these recommendations using the Rapid Assessment Protocol (RAP), a tool developed by the ILO to estimate the costs of social protection provisions, projecting them over a 15-year period. In total, the cost estimates of 64 reforms were developed with an additional microsimulation exercise to estimate the potential poverty reduction impacts of each recommendation. The cost estimates aim to support government budget discussions, the availability of fiscal space, and to help prioritize the social protection policy options and recommendations.

The results of these steps were then organized and structured in the report presented here. Lastly, the report serves as a source of information and provides the technical framework for the development of the National Social Protection Strategy for Timor-Leste 2018-2030.

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