Timor-Leste National Anticipatory Action Financing Mechanism

Red Cross Red Crescent Climate Centre
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Executive summary

The Government of Timor-Leste is strengthening its early warning systems and forecasting capabilities through the Green Climate Fund (GCF) project 'Enhancing early warning systems to build greater resilience to hydrometeorological hazards in Timor-Leste'. This investment is a critical opportunity to integrate anticipatory action (AA) into Timor-Leste's disaster risk management (DRM) approach. AA is a set of interventions that are taken before an anticipated disaster to mitigate its impact on people, assets and infrastructure. AA builds on preparedness efforts but remains distinct from them, as anticipatory actions are always undertaken for a specific and imminent threat. Due to the rapid timelines for AA, pre-arranged finance is vital to ensure that actions can be taken in time.

This report strongly recommends that the country's Civil Protection Authority (CPA) creates a new contingency fund to finance Anticipatory Action, which sits alongside but is separate from the CPA's annual budget. The Government of Timor-Leste already has a national contingency fund that is used for disaster response. Due to the lengthy process to access this finance, however, it is not appropriate for rapid-onset AA, which must be available quickly once a trigger is reached. As such, decentralizing finance to the ministry level is the simplest way to make finance available. The proposed new contingency fund would ideally integrate two functions, anticipatory action and early response, while ensuring greater coherence between the two. This smaller contingency fund could eventually be replicated for other line ministries involved in future AA initiatives; for example, the Ministry of Agriculture, Livestock, Fisheries and Forestry (MALFF). In addition, protocols for accessing the existing central contingency fund held by the Ministry of Finance (MoF) could be evaluated, streamlined and strengthened, potentially allowing for the faster use of these resources, including for AA in the context of slow-onset hazards such as drought.

Establishing a national financing mechanism for Anticipatory Action is the clearest way to enable the Government of Timor-Leste to take ownership of AA and act quickly, thereby enhancing disaster risk management (DRM) in the country. To equip and operationalize a national AA financing mechanism, additional resources will likely be needed from development partners such as the Green Climate Fund (GCF) as well as by the Government of Timor-Leste itself. In many cases and across nations within the Association of Southeast Asian Countries (ASEAN), national AA mechanisms are still financed by donor initiatives.[1] AA pilots are new to Timor-Leste and there is not yet country-specific evidence of AA's effectiveness to galvanize governmental support for AA. Directly supporting the Government of Timor-Leste with finance to establish such a contingency mechanism, along with evidence of the benefits of AA, would enable it to build capacity and ownership in delivering AA for climate-related hazards.

1 See 2022 study from the Risk-informed Early Action Partnership (REAP) on Anticipatory Action: The Enabling Environment

In Timor-Leste, finance is needed for both AA and rapid response. Because current DRF financial instruments are slowed by bureaucratic processes, there can be a financing gap for rapid response. Although AA protects people, livelihoods and assets, it is not a replacement for disaster response. As such, it would be inappropriate to create new financing mechanisms for AA that are unable to also respond rapidly to emergencies, based on pre-existing contingency plans and AA standard operating protocols (SOPs). A contingency fund mechanism is more effective if some finance is ringfenced for both AA and rapid response, by ensuring coherence between AA activities and, if necessary, disaster response. This can create efficiencies by ensuring that there is no gap between AA and rapid response. To ensure gender equity in access to both AA and rapid response financing, it is essential that contingency fund mechanisms explicitly address the different needs and barriers faced by women and men. This might include incorporating gender criteria in AA Standard Operating Procedures (SOP) and ensuring that womens organizations are involved in fund disbursement planning and delivery.

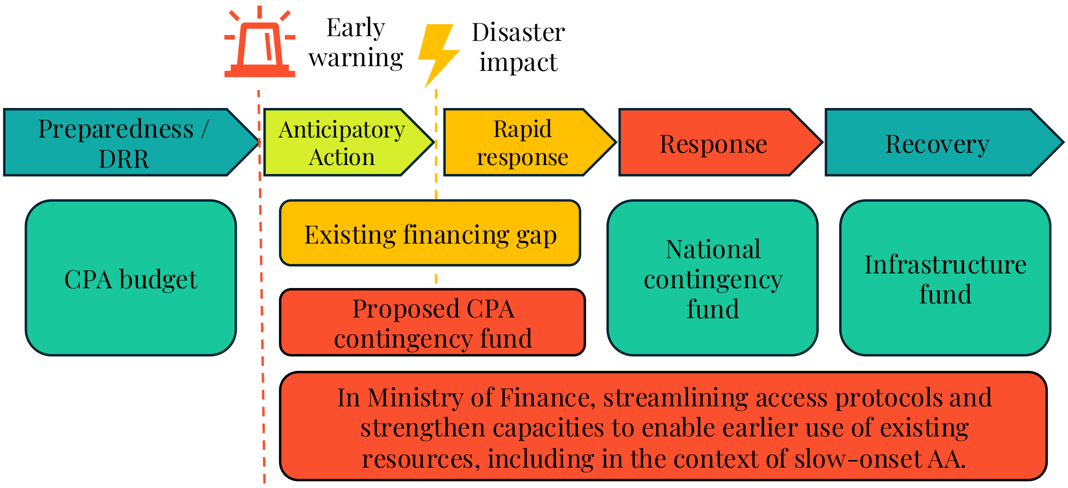

Figure 1: Illustration of existing and proposed national DRF instruments across Timor-Leste's DRM cycle. Red mechanisms are proposed, while green are existing.

To accompany an AA financing mechanism, integrated within the national DRF framework and policy, Timor-Leste's Government should create an enabling environment for AA through strong policy alignment and buy-in from leadership. This should start with the adoption of the national AA roadmap, which brings together diverse stakeholders to articulate a common vision for Timor-Leste's AA practice. In the AA roadmap, integration of AA into the country's national disaster risk management policy and Decree-Law No. 3/2016 is a priority action for Timor-Leste's AA stakeholders. Doing so is a critical step to enabling a national financing mechanism for AA, as it would empower the CPA and relevant line ministries to set aside budgets in their contingency funds. In addition to including AA in DRM policy, AA should be integrated explicitly into SOPs for disaster response. This would entail a full reflection of AA in the forthcoming DRM strategy as well as in the national and municipal emergency response plans. It is also key to clarify roles, responsibilities and priority actions across different levels. The MALFF already has experience of developing a SOP for AA, which can serve as an example for other ministries and other hazards.

By creating a CPA contingency fund for AA and rapid response, Timor-Leste could host one of the most advanced AA mechanisms at the national Government level. The momentum built through AA pilots and the GCF's investments in Timor-Leste's meteorological capabilities should not be lost but supported with a financing mechanism for AA. This opportunity requires support from development partners and donors, who can lend expertise and direct financial support to the CPA (and eventually other sectoral) contingency fund(s).

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Abbreviations and acronyms

AA	Anticipatory Action
ASEAN	Association of Southeast Asian Nations
BdMJF	Bolsa Mãe Nova Geração
CERF	Central Emergency Response Fund
CIGD	Inter-Ministerial Commission for Disaster Management
CPA	Civil Protection Authority
CVTL	Cruz Vermelha de Timor-Leste (Timor-Leste Red Cross)
DAE	direct access entities
DMC	Disaster Management Committee
DNGRD	Municipal Service for Civil Protection and Natural Disaster Management
DREF	Disaster Response Emergency Fund
DRF	disaster risk finance
DRM	disaster risk management
EAP	early action protocol
EWS	early warning system
FAO	Food and Agriculture Organization
GCF	Green Climate Fund
IMF	International Monetary Fund
MALFF	Ministry of Agriculture, Livestock, Fisheries and Forestry
MCPEP	Municipal Civil Protection Emergency Plan
MoF	Ministry of Finance
MSA	Ministry of State Administration
MSSI	Ministry of Social Solidarity and Inclusion
NCPEP	National Civil Protection Emergency Plan
NDDRM	National Directorate for Disaster Risk Management
NGO	non-governmental organization
PCRIC	Pacific Catastrophe Risk Financing and Insurance Initiative
SFERA	Special Fund for Emergency and Rehabilitation Activities
RAEOA	Região Administrativa Especial de Oé-Cusse Ambeno
SOP	standard operating protocol
TWG	Technical Working Group
USD	US dollars

1. Introduction: AA in Timor-Leste

Anticipatory Action (AA) is a relatively new concept in Timor-Leste, though current pilots build on a decade of experience in AA through humanitarian organizations, development partners and governments across the world. **AA is a set of interventions that are carried out when a hazard poses imminent danger based on a forecast or early warning. AA is taken before an anticipated disaster to mitigate its impact on people, assets and infrastructure.** AA is increasingly recognized as a key part of the disaster risk management (DRM) cycle in Southeast Asia, as evidenced by the endorsement of a Framework for Anticipatory Action by the Association of Southeast Asian Nations (ASEAN).

Box 1. How does AA fit into the DRM cycle?

The classic DRM cycle has a few major components: prevention and mitigation, preparedness, emergency response, and recovery. AA sits between preparedness and response, in a window of opportunity between an early warning (or another trigger for action) and the onset of a disaster. Financing AA can help avert losses and reduce the impact of disasters for the most vulnerable groups.

AA builds on preparedness efforts but remains distinct from them, as it is always undertaken for a specific and imminent threat. AA should consider the complementarity between anticipatory action and early response, as the former is not meant as a standalone, but can be followed by an appropriate early response. In fact, some AA interventions implemented by agencies established the architecture to enable early response, such as the delivery of rapid assistance by having pre-registered beneficiaries or agreements with financial service providers, which can be scaled up. The integration of AA into contingency plans is a feasible starting point for this as it can enable the systematic integration of AA into national and regional DRM plans and policies.

Preparedness for a typhoon might entail developing contingency plans, conducting a drill to test evacuation protocols, verifying that communication channels are functional, and ensuring that shelters and evacuation centres are well equipped. AA for a typhoon, on the other hand, occurs after an early warning is issued, at which point suitable anticipatory actions include undertaking an evacuation of both people and livestock, implementing protective measures for key water sources, securing alternative power supply sources, distributing cash, harvesting and storing crops early and safely, safeguarding fishing boats and equipment at storage sites, and pre-positioning response equipment close to locations facing imminent danger. AA is, therefore, not a substitute for investing in preparedness, but is an integral and complementary part of the DRM cycle that only works well if it can build on effective preparedness and mitigation efforts. Additionally, women and men face different risks and AA financing should be gender-responsive.

Source: *ASEAN Framework on Anticipatory Action in Disaster Management*

Given the significant investment by the Green Climate Fund (GCF) in Timor-Leste's meteorological capabilities, there are new opportunities for AA and a variety of agencies developing pilots to test AA approaches. There is a Technical Working Group (TWG) for AA, led by the Civil Protection Authority (CPA) and backed by its co-chairs (the Food and Agriculture Organization and the Red Cross Red Crescent Climate Centre), which aims to coordinate AA actors to align with government strategy and share expertise across initiatives. In addition, there is a goal to develop unified triggers for action across agencies, enabling a more coordinated approach to AA across the country. The actors involved in AA include the Timor-Leste Red Cross or Cruz Vermelha de Timor-Leste (CVTL), which has developed early action protocols (EAPs) for Anticipatory Action for flooding, prioritizing the flood-prone areas of Covalima, Manatuto, Manufahi, Oecusse-Ambeno and Viqueque municipalities; the Australian Humanitarian Partnership that works across five international agencies and 17 local organizations to deliver a variety of AA pilots in prioritized *aldeias* (villages) of seven municipalities (Ainaro, Bobonaro, Lautem, Liquica, Manufahi, Oecusse-Ambeno and Viqueque); and the Food and Agriculture Organization (FAO) that has developed a drought trigger mechanism covering all municipalities in Timor-Leste and has been working to secure AA for El Niño conditions in the agriculture sector. For more information about FAO's AA pilot, see Box 2.

Box 2. AA drought activation and key lessons

Through a GCF-supported project, FAO developed a drought trigger mechanism in 2023 for monitoring drought occurrence in all municipalities of Timor-Leste. The trigger mechanism was able to detect drought risk in five municipalities so that information could be disseminated in advance to a potential 612,000 indirect beneficiaries (i.e., the population of the municipalities where drought risk was detected). Following the trigger signal, FAO formulated a project and secured funding through its Special Fund for Emergency and Rehabilitation Activities (SFERA) to reduce the potential impacts of the impending drought on Baucau, Covalima, Viqueque and the Special Administrative Region of Oé-Cusse Ambeno or Região Administrativa Especial de Oé-Cusse Ambeno (RAEOA) (i.e, those municipalities expected to be worst affected). The project – known as Addressing El Niño-Induced Climate Risks in the Indo-Pacific Region with Anticipatory Action – was implemented in 2024 in collaboration with the Ministry of Agriculture, Livestock, Fisheries and Forestry (MALFF) and the CPA in the municipalities of Baucau, Covalima, RAEOA and Viqueque.

The SFERA project directly benefited 5,200 households – 1,000 most vulnerable women-led households as well as 1,262 youths and men, who received unconditional cash for work through the rehabilitation of water sources; and 53 community water tanks, benefiting a minimum of 530 households (3,180 people) including a primary school, that benefited from improved access to clean water for household and agricultural use. A post-distribution monitoring survey indicated that 82 per cent of the beneficiaries accessed clean water through the project; 70 per cent of the beneficiaries recorded increased water availability; 75 per cent had less distance to go to fetch water; and 97 per cent of the beneficiaries who received cash used it to buy food. The survey also highlighted lessons for improvement, including the need to enhance the timeliness of interventions, which were slowed due to procurement processes as well as the inclusion of community capacity building for sustainability, particularly regarding water supply infrastructure rehabilitation.

Timor-Leste's stakeholders have developed a roadmap for AA. The Anticipatory Action Roadmap aims to integrate AA within Timor-Leste's national disaster risk management policy (Decree-Law No. 3/2016), which would create a strong enabling environment for a national AA financing mechanism. The Roadmap (2025–2028) calls for the participation of stakeholders across Government ministries and development partners in achieving this.

Timor-Leste is currently developing a national disaster risk financing (DRF) framework and policy. This is currently being devised by the Ministry of Finance (MoF) with support from the World Bank (see Section 3). Earlier assessments underlying the national DRF framework and policy by the World Bank and International Monetary Fund (IMF) have encouraged the Timor-Leste Government to 'explore financial preparedness strategies that increase the ability of national and local governments to respond more quickly to disasters' but also suggested that 'these might include […] forecast-based and impact-based early action' (IMF, 2022; World Bank; 2021 p.61), a term often used interchangeably with Anticipatory Action.

One of the clear benefits of a national financing mechanism for AA is that it will greatly increase national ownership of AA coordination and practice. Key informants across Government ministries expressed interest in AA, but largely perceived this way of working as belonging to development partners. Although the CPA plays a coordinating role for AA in-country, various government staff do not fully understand how AA is executed or the timelines for the action required. If it were to access a national financing mechanism for AA, the CPA would have a strong incentive to take a leading role in AA implementation itself and learn from development partners about what works and what does not. Clarity on the concept of AA and the Government's role in mitigating the worst impacts of disasters on vulnerable people is needed as a foundation for all future work on AA financing.

This report outlines specific suggestions and ways forward on integrating an AA financing mechanism in the DRF landscape and, specifically, the DRF framework and policy.

2. Best practice for financing AA

Delivering AA is only possible with pre-arranged finance. The window to act after an early warning or trigger is too short to submit financing requests or initiate proposals. In most contexts, response funds through national contingency budgets or regional insurance mechanisms are too slow for AA (ASEAN, 2022). For humanitarian agencies and development partners, special funding envelopes are reserved for AA, such as the IFRC's DREF or the UN's Central Emergency Response Fund (which positions AA under its 'rapid response' funding window). These instruments are designed to release finance automatically or very quickly, based on pre-agreed plans. Agencies agree to a 'no regrets' approach to dispensing finance after a trigger or early warning, even if the disaster does not materialize.

AA financing can be divided into two types: 'build' finance and 'fuel' finance. 'Build' finance covers the resources required to set up an AA system, such as improving risk data and early warning processes (UNDRR, 2023). Much of the GCF's investment in Timor-Leste's early warning capacities can be considered 'build' finance. 'Fuel' finance, on the other hand, is money set aside for an activation and is disbursed when a threshold or trigger is reached. Fuel finance pays for anticipatory actions, such as cash disbursements, supplies in evacuation centres, or shelter strengthening prior to a hurricane. In Timor-Leste, this is currently financed by humanitarian financing sources and donor initiatives. To date, no government finance is explicitly allocated for AA, though some finance for preparedness at the municipal level (such as in-kind supplies in warehouses) could be repurposed for AA.

For some AA initiatives, there is a third finance category. 'Readiness' finance is released, based on a trigger, with a longer lead time to prepare for imminent AA activation. For instance, the readiness phase might be enacted with a forecast that indicates a major flood is expected in seven days, whereas the actual AA activation might only be triggered two days before the predicted flood. Readiness finance does not include the distribution of items to households, but other actions that are usually low-cost and no regret, such as activating local institutions responsible for AA and rapid response; refresher training on plans for evacuations; inspecting evacuation centres; and positioning basic supplies based on needs. Readiness triggers are included in initiatives of the Australian Humanitarian Partnership, CVTL's early action protocols and the Central Emergency Response Fund (CERF) Anticipatory Action financing window.

To the greatest possible extent, AA finance should be flexible and localized. Although AA is informed by plans and risk analysis, funds should be flexible to account for uncertainty. Needs may change quickly, and those implementing AA need to be able to act quickly based on the best available information. In Timor-Leste, current budgetary allocations would not be appropriate, as these must be planned and accounted for long in advance. Similarly, funds for AA should be localized wherever possible. This means international transfers are often too slow to be effective. If funds cannot be made available within hours, then best practice for effective AA is to decentralize finance to the subnational level from where the finance can be distributed. In places where electronic payments may not be feasible, allocating finance to the municipal level during the 'readiness' phase (the stage before AA implementation, prior to a trigger being met) may be the most plausible option. As one key informant from the non-governmental organization (NGO) sector explained, "It is better to have AA money in the hands of implementing agencies. We need money as soon as a trigger occurs because there is no time to ask anyone to transfer money."

Financing AA usually sits within a wider DRF framework, which layers different financial instruments to respond to disaster risks of varying severity. The ongoing process of formulating a national disaster risk framework and policy led by the MoF, supported by the World Bank, is expected to provide such a structuring framework for Timor-Leste soon. The point of using different instruments is to ensure value for money in improving the financial resilience of the Government in the face of disasters. AA finance is a relatively small component of the overall financing of disaster response and recovery. Typically, it should be included within risk retention instruments as finance must be available rapidly.

Some attempts have been made to include AA within sovereign parametric insurance mechanisms, such as through the African Risk Capacity; and, while these are nascent efforts, these types of instruments are not easily accessible to most countries. Timor-Leste is eligible to join the Pacific Catastrophe Risk Insurance Company (PCRIC) – a regional risk pool of Pacific Island countries. While PCRIC insurance policies have historically not included an anticipatory component and faced demand challenges due to the affordability of premiums (Ramachandran & Masood, 2019), a drought insurance mechanism including an anticipatory/early payout component is currently being devised. Timor-Leste's planned ASEAN accession might furthermore open doors to the Southeast Asia Disaster Risk Insurance Facility – an ASEAN+3 mechanism and regional risk pool.

Table 1. Layering disaster risk finance instruments

DRF STRATEGY	TYPE OF DISASTER	FINANCIAL INSTRUMENT	INSTRUMENTS AVAILABLE IN TIMOR-LESTE
Risk retention	Small but recurrent disasters	Contingency budget or national reserves	National contingency reserve fund, petroleum reserve fund, infrastructure fund
Contingency credit mechanism	Less frequent and more severe events	Catastrophe deferred drawdown option, contingent credit line	None
Risk transfer	Major disaster events	Sovereign risk insurance and regional risk pools	Eligible for PCRIC but do not hold a policy

Adapted from: *Ramachandran & Masoon, 2019.*

Although AA is often led by humanitarian and development partners, some governments have piloted AA finance using their own delivery channels and systems. In 2023, the Government of Mongolia took proactive measures to distribute state fodder and hay reserves to herders in anticipation of severe winter weather (*dzud*), based on early warnings. The Government undertook a fact-finding mission after the national meteorological agency showed widespread areas were considered at high risk of *dzud*. Typically, the fodder would have been distributed later as a response to *dzud*, but the Government was moved to act in anticipation with increased confidence in risk information and recognition of the benefits of acting early (Toepper *et al.*, 2024). This is one of the flagship examples of effective AA done at scale, building on current disaster response practices but shifting them to be anticipatory.

In the Philippines, subnational government offices at the provincial level have allocated some of their preparedness funds to early action. In 2021, the Philippine Red Cross and local governments signed memorandums of agreement on how and when the local government will fund and implement AA, building on the Philippine Red Cross' triggers, forecasts and experience in implementing AA (Anticipation Hub, 2021). In 2024, new legislation was passed to institutionalize an 'imminent state of disaster' and enable local government units to use disaster response funds in anticipation of forecasted impacts (Anticipation Hub, 2024).

Other efforts to integrate AA into government practices have been piloted through social protection systems, called 'adaptive social protection' or 'shock responsive social protection'. These have been supported by donor finance and have not yet been implemented at scale, as social protection systems have different coverage and delivery systems than AA interventions. Significant investments are needed to build the capacity of social protection systems to deliver AA, though it remains a promising avenue for delivering cash in countries with well-established social protection systems.

The flagship guide for integrating AA into national systems is the ASEAN Framework on Anticipatory Action in Disaster Management. As Timor-Leste holds observer status in ASEAN, which recently agreed in principle to admit the country as ASEAN's 11th member state, aligning with the ASEAN AA framework is another method of working towards DRM coherence with the ASEAN member states. The guide is a useful resource to align definitions and find entry points for AA integration into DRM, led by national governments.

3. Current DRF structure in Timor-Leste

While reforms of Timor-Leste's DRF architecture are underway, the country's national contingency fund is currently the primary financial instrument for responding to major disasters. The contingency fund can be accessed to respond to an unpredictable event or an emergency. There are three criteria for accessing the fund: 1) the financial request cannot be postponed; 2) the event was unforeseen and could not be budgeted for normally; 3) the situation is an emergency in nature and exceeds the financial capacity of the requesting body. The Public Financial Management Framework Law enshrined a threshold for the contingency fund, which must amount to between 2–5 per cent of total budget (Ministério das Finanças, 2023). In 2024, the contingency fund comprised 44.9 million US dollars (USD), distributed in two parts: emergency response USD38.9 million and natural disaster emergency response USD6 million.

If a major shock requires more resources than what is available in the contingency fund, the Government can draw from the petroleum fund. **In a year with severe disasters, the national contingency fund alone cannot cover all recovery costs as well as loss and damage.** The impacts of Covid-19, Cyclone Seroja and the Easter Flood in recent years have been a major fiscal burden on the Government. In 2021, the contingency fund's USD62.5 million was exhausted by responding to natural disasters and the Government had to open an international humanitarian appeal for help (Khan *et al.*, n.d.). A Post-Disaster Needs Assessment estimated that the recovery and loss and damage costs from the cyclone and flooding in 2021 totalled about USD530 million – over eight times the amount available in the national contingency fund that year (Government of Timor-Leste, World Bank & United Nations, 2022). Timor-Leste is currently reforming its DRF strategy through a **DRF framework and policy** development process. This will include the design of a risk-layered mix of financial instruments. The contingency fund may be complemented by other mechanism as the DRF framework and policy process evolves.

Due to recent changes in law, the CPA is the key institution for coordinating disaster response and AA at the national level. The Civil Protection Law (Decree-Law 12/2020) tasked the agency with coordinating all responses to emergencies. In a typical year, the CPA finances its operations, including preparedness and response activities, from an annual budget approved by parliament. The CPA recently opened a separate bank account for donations from partners to support emergency response, enabling direct budget support alongside the usual practice of receiving in-kind support from development partners after emergencies. A small budget is decentralized to the municipality affected to cover very basic expenses (USD500 per month), while all food and non-food items stored at the municipality are procured at the national level, using the national CPA budget.

In line with the Civil Protection Law's subsidiarity principle (Article 5.d) – by which incidents within the capacity of local authorities should be managed at the municipal or regional level – there are three levels of emergency response (see page 13), with corresponding financing and mobilization strategies. In Timor-Leste, the level of emergency is based on the number of households affected, the number of municipalities involved in responding, and the level of resource required to meet humanitarian and recovery needs.

1. **Alert:** An alert can be raised for all or part of a municipality by the president of the municipality when a disaster occurs or is imminent and a need to adopt preventive measures or special response measures is identified. (The national Government can also raise an alert status for all or part of the national territory). In practice, an alert is typically raised for events affecting a small number of *sucos* (towns, villages and places) and/or 100–1,000 households.

   An alert triggers a local level (level 1) response, under which municipality administrators and the CPA work together to meet people's needs from locally available resources, such as from the CPA's annual budget and existing municipal-level warehouse supplies. An alert does not require external assistance.

2. **Contingency:** A state of contingency can be raised when a disaster occurs that affects multiple municipalities and that requires additional resources beyond the CPA's annual budget. As per the Civil Protection Law 12/2020, a contingency situation can be declared when, in view of the occurrence or imminent occurrence of a disaster, it is necessary to adopt preventive measures and/or special reaction measures involving means or resources not mobilizable at the municipal level. A contingency situation can be declared by the member of Government responsible for civil protection (i.e., the State Secretary for Civil Protection or Minister of the Interior) for all or part of the national territory.

   A declaration of a state of contingency triggers a level 2 response (i.e., a response beyond the capacity of the municipal or regional level). As a result, local CPA representatives can request additional resources from the national level, such as via the national contingency reserve fund. Line ministries, the army and the police may also be mobilized to respond.

3. **Calamity:** A state of calamity can be raised when a major disaster occurs or is in danger of occurring and is of great severity or predicted to affect a significant portion of the country, necessitating the adoption of exceptional measures to prevent, react to and restore normal living conditions in affected areas. A state of calamity can be declared by the Government through a resolution. This is typically done by the prime minister (PM) when a major disaster occurs, most recently for the 2021 Easter Flood. However, as per the Ministry of Agriculture, Livestock, Fisheries and Forestry (MALFF) DRM Action Plan, when in agreement with the PM/Council of Ministers such a declaration could also be issued by the Secretary of State for MALFF for a sectoral disaster. International support from donors and humanitarians is invited to respond to the scale of need.

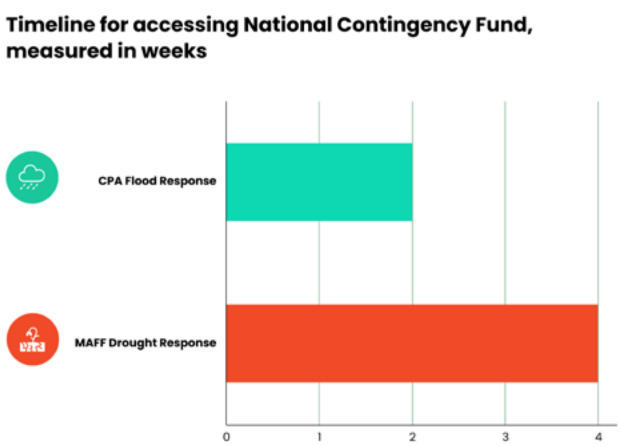
It is noteworthy – particularly, in light of the example from the Philippines mentioned earlier, in which specific legislation had to be introduced to allow this – that in Timor-Leste *all* emergency levels can be declared, based on the imminence of an event, with a view to taking preventive measures (as per the Civil Protection Law 12/2020). While this does not seem to be applied widely in practice, this legal provision does in principle open doors to AA and potentially the use of public resources to this end.

Accessing the national contingency fund takes days to weeks. Access is governed by the annual budget execution decree (e.g., Decree-Law 5/2024, Article 19) and is open to all government agencies. To access the fund, the requesting ministry must submit a formal application to the MoF, which analyses and submits it to the PM for approval. Article 19 sets out specific requirements for such a request, including eligibility in line with criteria 1–3 mentioned earlier. External auditors recently questioned the fund's principles of urgency and unforeseeable expenses given its seeming lack of responsiveness (World Bank, 2023). In addition, the template for requests to access the contingency fund was developed by relevant ministries but does not seem to be widely known about or used among stakeholders (see Box 3). The World Bank (2023, p.27) concluded that the lack of clear guidelines for eligibility (for MoF approval) leads to inconsistencies in fund allocation and an absence of control mechanisms.

At its fastest, the MoF can approve a request for contingency funding within 2–3 days, but in practice officials from the CPA and MALFF estimate that accessing the fund takes 2–4 weeks. Beazley *et al.* (2023) therefore recommends improving the speed and efficiency of access to the contingency fund, starting with a 'process evaluation to assess exactly where the institutional and bureaucratic bottlenecks are causing the delays'.

Once access to the contingency fund is granted, mobilizing resources can be further delayed by procurement regulations and challenges in sourcing the necessary items. Staff from the MoF are reviewing how recent legal changes – such as the passage of the new Public Procurement Law, which establishes clear thresholds and conditions for expedited procurement in case of emergencies along with the Direct Procurement Flexibility Decree-Law for Emergency Response – will affect procurement processes. The MoF recommends 3–5 days for tendering for key items in an emergency, although single-source procurement has been allowed previously. According to CPA officials, procurement delays can also occur on the supplier's side. World Bank (2023) found only a basic level of integration of disaster responsiveness within public procurement and recommended specific reforms to public procurement regulations and protocols (see Pillar 6). These would benefit not only the effective use of resources from the contingency fund, but also those under the potential national AA financing mechanism proposed in the next section.

Figure 2. Timeline for accessing the contingency fund for past disasters, including time spent applying and ministries' internal approval processes



In addition to the CPA's lead role, other institutions are involved in disaster anticipation and response. The MALFF has developed contingency plans for drought with corresponding standardized operating procedures to anticipate impacts and respond to these events within the agricultural sector.

Box 3: MALFF Disaster Risk Management Plan and relevance of the contingency fund

The Disaster Risk Management Plan for Agriculture in Timor-Leste – with a focus on drought – is a guiding framework to reduce the negative impacts of disasters on Timor-Leste's agricultural sectors and increase the resilience of rural communities. Led by the MALFF, it provides a practical plan for proactive drought risk management.

The plan identifies the MoF's contingency fund as the primary mechanism for financing drought risk management activities, which include early – and by extension, anticipatory – drought response actions. The MALFF Directorate for Administration and Finance is identified as the relevant institutional unit to lead on MoF contingency fund applications. According to key informant interviews, to facilitate applications to the contingency fund, the MALFF action plan contains a request template developed and agreed jointly with other line ministries including the MoF, Ministry of State Administration and the Ministry of Social Solidarity and Inclusion (MSSI)).

The template describes two types of funding:

Financial requirements
Financial support requested from which section of the Contingency Fund?
- *Unforeseen Events Fund (in the case of early warning)*
- *Emergency Fund (in the case of emergency declaration)*

The funding requirements should reflect all the priority activities outlined in the previous section (incl. a budget breakdown of specific acuities). Cost of logistics and capacities to implement those activities should also be taken into consideration.

As per the template, early warning information could underlie an application to the 'unforeseen events fund', given the inclusion of imminent disasters that could trigger a declaration of an alert/contingency/emergency as specified earlier. By extension, such information could even be used for an application to the 'emergency fund'.

Key informants stressed that an application (to either fund) requires verified, granular information (e.g., on anticipated damage), which has so far prevented successful contingency fund applications for responding to drought. However, contingency fund access protocols are expected to be clarified and simplified as a result of reforms during the current development of the national disaster risk framework and policy. Capacity-building activities (such as a simulation exercise) involving key stakeholders could also be helpful, particularly on data collection and the completion of applications to the contingency fund, ultimately reducing the timelines shown in Figure 2. This could also provide a foundation for using contingency fund resources for AA on slow-onset hazards such as drought.

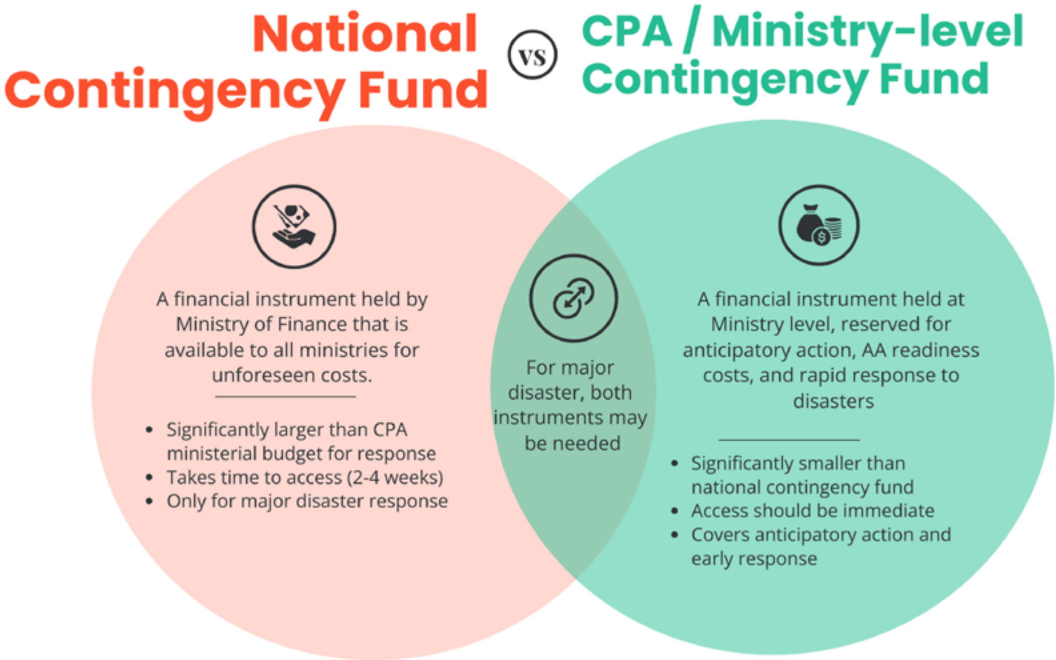
More generally, the National Directorate for Disaster Risk Management (NDDRM) and corresponding Disaster Management Committees (DMCs) exist at all levels of government and are responsible for providing DRM coordination and technical support to the Government and community (CFE-DMHA, 2019). At the municipal level, there is some confusion between the role of CPA Comandantes and the role of the DMCs, which is explored further in Section 8. There is also an Inter-Ministerial Commission for Disaster Management (CIGD), which is responsible for reviewing national DRR policy and strategic development.

Ministries cannot reallocate budgets based on changes in context (other than within existing programmes), which prohibits flexibility for AA as new needs arise. As budgets are approved by parliament, flexibility at the ministry level is restricted and parliament plays a key role in authorizing the reallocation of funds in emergency situations. For unforeseen events or expenses, finance must come from the national contingency fund. This may be suitable for a typical response to a disaster, but for AA – in particular, AA for rapid-onset hazards which can have lead times as short as a few days – accessing the national contingency fund is untenable. Longer term recovery financing comes from an infrastructure fund, which is held outside of ministerial budgets.

4. Proposed national financing mechanism for AA

To enable nationally led AA, this report strongly recommends that the CPA creates a new contingency fund at the ministry level that sits alongside, but is separate from, the CPA's annual budget, echoing and extending a recommendation by the World Bank (2023 p. 22) to create 'contingency funds at the level of key institutions that lead the response, such as the Civil Protection Authority'. The procedures to access the national contingency fund are too cumbersome and lengthy for AA, in particular for rapid-onset hazards.[2] Because the process to access the contingency fund prevents a rapid response, this alternative fund would ideally integrate dual purposes: AA and early response. Finance can be set aside according to AA plans, with a suggested 50 per cent of the contingency budget ringfenced for AA readiness and activation finance, and the other 50 per cent ringfenced for early response, while the CPA secures additional resources via the national contingency fund. This can serve an additional purpose of ensuring greater coherence between AA and response.

Figure 3. Comparing the roles of the existing national contingency fund with the proposed CPA contingency fund



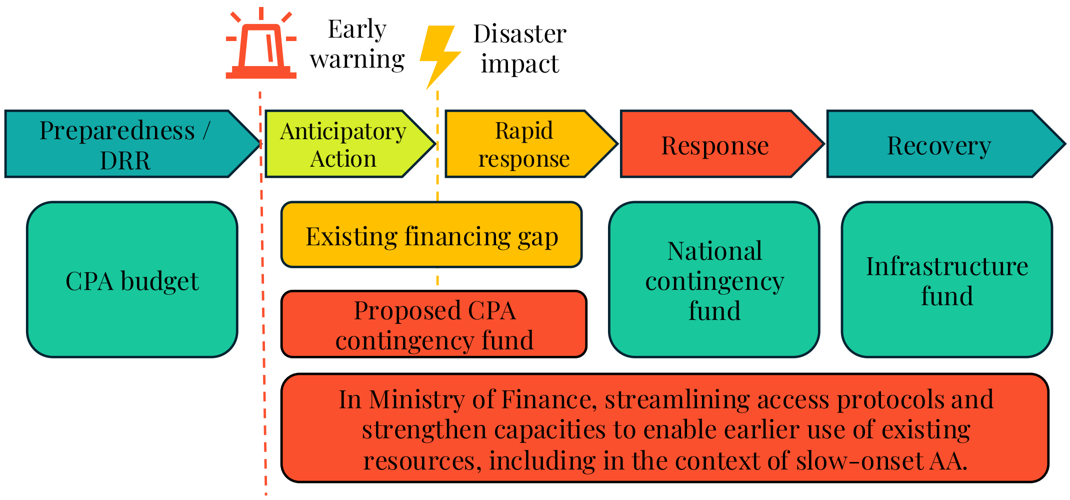
The ministry-level contingency fund (on right) could be replicated by any ministry undertaking anticipatory action. In practice, however, CPA and MAFF are the first two ministries with some exposure to AA in Timor-Leste, and this report only focuses on their role in anticipatory action.

The mandate for coordinating AA sits under the CPA, but AA is cross-sectoral so finance needs to be available across relevant ministries. Following an assessment of the effectiveness of the MoF's contingency fund reforms (see Box 3), the structure of the CPA contingency fund could potentially be replicated for MALFF to enable the ministry to better implement AA and rapid response to drought, based on its existing SOP. Key informants in MALFF explained that bottlenecks to accessing funding through the national contingency fund, alongside delays within the procurement process, meant that a contingency fund that sits within MALFF would help them to undertake AA and develop pre-arranged procurement contracts based on SOPs. Eventually, other ministries involved in future AA efforts, such as the Ministry of Health, could also replicate this structure as needed.

2 As stated in Box 3, for slow-onset hazards such as agricultural drought, the national contingency fund may continue to play a role.

The new CPA contingency fund would allow for a more comprehensive disaster risk financing plan for events of different severities. The recommendation to set up a sector-level contingency fund aligns with the current development of the national disaster risk framework and policy as well as advice from the World Bank (2023). This also follows a CPA proposal to establish an agency-run contingency fund as part of the 2023 State Budget Proposal (World Bank, 2023 p.35). Normal preparedness funding would come from the CPA's budget as it currently does; but AA, with corresponding readiness activities, would come out of the proposed CPA contingency fund. This is because readiness activities are not considered preparedness, as they are based on the trigger for a specific imminent threat. Rapid response would be covered by the new CPA contingency fund for disasters of all severities. For a smaller (alert level) disaster, the CPA budget should cover later response needs, based on post-disaster needs assessments. For a larger disaster, affecting multiple municipalities (contingency or catastrophe level), the response would be covered by the national contingency fund and/or an international humanitarian appeal, as is current practice (see Section 3). Finally, recovery needs related to shelter are covered by the MoF's infrastructure fund.

Figure 4. Different financing mechanisms in Timor-Leste across the DRM continuum



'Build' and 'fuel' finance for AA should not be financed from the same instrument. 'Fuel' finance should come from the CPA contingency fund (or other ministry level contingency funds). Some initial 'build' investments – for example, to develop suitable national early warning systems – will be financed by the GCF through the 'FP171: Enhancing early warning systems to build greater resilience to hydrometeorological hazards in Timor-Leste' project. Other 'build' costs, such as maintenance costs for early warning systems, upkeep of warehouses, SOP development and any ongoing coordination costs should come from the relevant ministry's annual budget, rather than contingency funds. Many of these activities are undertaken already in the context of disaster preparedness and could be repurposed or expanded for AA. These types of costs would not diverge significantly from those that are already financed under the CPA's typical annual budget allocation. These AA actions should include equitable access for women and men and reflect gender-specific needs in disaster preparedness.

Triggers for releasing finance under the CPA contingency fund must be objective and pre-agreed. In the past, the response to El Niño by humanitarian partners was slowed because donor guidelines required the Government's endorsement of the trigger. Triggers for using the CPA contingency fund, or any other ministry level contingency fund, should be pre-agreed parametric triggers or otherwise be closely aligned with those of development partners. Political sign-off processes are a key factor that can slow down the release of finance from the existing national contingency fund. Ministry level contingency funds should avoid replicating governance features that can slow the release of finance for AA. For AA in response to droughts, there can also be lags in monitoring data that interfere with lead times for planned actions and these should be addressed for effective AA on droughts (see, for example, Isaev *et al.*, 2024 on improved drought monitoring and AA trigger methodologies for Timor-Leste).

Figure 5: Outline of funds for different DRM stages for consideration in the national disaster risk framework and policy

5. Delivery channels and modalities

Although some countries use social protection systems to deliver AA, social protection programmes in Timor-Leste are not geared towards expanding in anticipation of, or in response to, shocks. Social protection programmes in Timor-Leste receive a significant yearly budget allocation that far exceeds contingency or other disaster-related funding, offering potential inroads for mainstreaming AA. However, a recent World Bank assessment of adaptive social protection in Timor-Leste highlighted the challenges in making social protection responsive to disasters. For instance, there is no national social registry, while data on households' vulnerability to disasters is piecemeal and sometimes outdated (Beazley *et al,* 2023). The groups currently covered by social protection programmes include veterans, the elderly, pregnant women and children under six years old, but there is no easy overlap in coverage with areas of high vulnerability to climate-related hazards. Furthermore, these programmes are managed by MSSI, whereas the CPA is currently mandated for disaster anticipation and response. Furthermore, the modalities of support are different: the CPA often provides in-kind support as part of disaster response, whereas social protection programmes largely deal with electronic or direct cash distributions.

Still, Timor-Leste's social protection programmes have lessons to offer for AA delivery. The Government's Bolsa Mãe Nova Geração (BdMJF) programme – a cash transfer for expectant mothers and children under six years old – has made strides in reaching mothers through electronic cash payments, even in remote areas of its three pilot municipalities. Although patchy coverage of telecommunications systems can pose a barrier to electronic payments, MSSI undertook an assessment of telecommunications coverage in all areas where the programme was deployed. Based on local coverage, SIM cards for the best provider in that area were distributed to the women in the programme. These serve a dual purpose: in addition to receiving finance through electronic payments, the phones also serve as a means of reaching pregnant women and reminding them of prenatal appointments and important health messages. For AA, where good communication is vital to ensure people know why actions are being taken and when a disaster is expected, lessons could be learned about how to reach people directly with warnings and advice using telecommunication systems. It also provides an example of how electronic payments could work in the future. To date, patchy coverage has been a barrier to using electronic payments to distribute support in disaster response efforts.

Delivering AA financing through current systems, where finance is distributed from national CPA to municipal CPA bank accounts, is the clearest entry point for AA finance. Every municipality has a disaster management directorate with an account at one of the national banks of Timor-Leste. But, for now, municipal CPA directors must visit the national CPA office in Dili to pick up cash every three months. For AA, these payments could instead be transferred as electronic payments into municipal bank accounts, which would allow for instantaneous transfers. According to key informants in the MoF and MSSI, this should be possible through the existing system. However, the director of finance at the CPA stressed that it was more complicated in practice due to connectivity issues. Nonetheless, it is common practice, when municipal CPA directors have completed post-disaster needs assessments and submitted these to CENOPS for data verification and had payments signed off by the CPA president. Once this process is complete, the money to respond to the needs identified is transferred directly from the national to the municipal bank account.

The potential of using cash for AA is mixed, with a need for partners to test cash modalities and gather evidence. Some AA initiatives, such as one led by World Vision, are developing SOPs for cash and voucher distribution. However, across key informants in the Government of Timor-Leste there was reticence about delivering cash prior to a hazard, echoing common concerns about inaccurate forecasts, security risks from carrying cash, and fear that people would spend the money unwisely and not on preparing. Although there is a lot of experience in delivering cash through social protection programmes and as part of the Government's Covid-19 response, cash-in-hand schemes require an extensive mobilization of staff throughout the country and can be more difficult to scale up quickly. One key informant from the NGO sector estimated that it takes a month to complete cash handouts, a timeline that does not conform to most AA lead timelines. Furthermore, as a remote island nation, markets are not always able to fulfil local needs for food and other key essentials. Market assessments are an important part of determining whether cash transfers will be effective in meeting local needs. Whether these can be completed in the 'readiness' phase of an AA intervention remains to be seen.

For the CPA, in-kind support and help for evacuations maybe some of the most promising AA interventions in the short term. The CPA is currently expanding warehousing and evacuation centre capacity for five municipalities, which may be an easy win for AA (see Section 7). In cases where early distribution could improve people's ability to cope with the impacts of a disaster, the CPA could move to distributing items based on an AA trigger, rather than as a post-disaster response, in a similar way to the Mongolian Government's recent AA activation in the face of severe winter conditions (see Section 2). The finance that each CPA municipal director receives every three months is used to help cover some of these costs and could be topped up for additional AA needs.

6. Funding sources for an AA financing mechanism

Supporting a national financing mechanism for AA is the clearest way to encourage ownership of AA. Much like other low-income countries, a key challenge for Timor-Leste will be securing national commitment to financing AA through government budgets. AA pilots are new to the country and there is not yet any Timor-Leste-specific evidence of AA's benefits or effectiveness to galvanize government support for AA. However, study results from other contexts suggest that the return on investment in AA can be significant (up to 7.1 for each USD invested according to FAO, 2023), which points towards the potential of including AA to maximize the overall cost-effectiveness of national DRF spending.

While no one interviewed in this study was opposed in principle, key informants expressed concern that Timor-Leste's budgets are already tightly stretched by current commitments. Specifically, since most of the Government's budget is financed directly or indirectly via withdrawals from the petroleum fund – currently projected to be depleted by 2034 (World Bank, 2024) – DRM activities take place in an extremely constrained fiscal space. Against this backdrop, the current reforms of the country's DRF architecture, intended to optimize the effectiveness and efficiency of public DRF spending through the introduction of risk-layered financing instruments, may benefit from the inclusion of a national AA financing mechanism. This would match public-sector AA investment by other countries in the region as described in Section 2.

Potential public AA investments may further be complemented and scaled by the financial input of partners. Across the region, AA finance is still donor driven. If Timor-Leste commits to developing a national financing mechanism for AA, it is reasonable to expect donor support in the early stages of implementation. As the Timor-Leste Government gains capacity to deliver AA and sees advantages over conventional (late) disaster responses, it may choose to increasingly complement this donor finance with national budget commitments. Eventually, an AA system that is integrated into national DRM policy and practice (specifically, the national DRF framework and policy, national DRM strategy, National Civil Protection Emergency Plan (NCPEP) and Municipal Civil Protection Emergency Plan (MCPEP) and their implementation, see below) would be entirely led and financed by the Timor-Leste Government.

Bilateral donors could directly support the Government of Timor-Leste by donating 'fuel financing' directly to the proposed contingency fund, or via the existing CPA bank account for donor contributions. External finance for AA is particularly important as the Government of Timor-Leste's budgets are uncertain from year to year. As part of the 2023 State Budget Proposal, the CPA's plan to establish a CPA-owned contingency fund of up to USD5 million did not materialize due to budget constraints (World Bank, 2023 p.35). Key informants stressed that they do not even have enough finance to cover all of the activities within their mandate. According to key informants, the percentage of the budget dedicated to recurrent costs like staff salaries is very high compared to other priorities. Donors' direct support of the Government – alongside the United Nations, international NGOs and civil society project-based support – would enable complementary AA actions to take place at a greater scale. It would also enhance the sustainability of AA interventions while building the Government's capacity to undertake AA itself.

Specific multilateral partners – namely providers of climate and development financing – may complement fuel finance; in particular, via investments in systems strengthening and maintenance. If the Timor-Leste Government can achieve accreditation to receive finance from the GCF or Adaptation Fund, this may be a potential route for additional financing to enable it to undertake AA actions. This climate finance would follow current investments under the GCF early warning system (EWS) project mentioned earlier. Timor-Leste's current strategy is to achieve accreditation, either through the Directorate of Environment or the Banco Nationale de Timor-Leste.

In practice, however, the process of getting accredited is lengthy and bureaucratic and experience from similar contexts shows that it can take years to be accredited. GCF could prioritize Timor-Leste's direct access entities (DAE) accreditation in order to finance a second phase of the EWS project with more direct support to the Government. This would enable the Government to take advantage of the enormous investments in Timor-Leste's EWS provided through the project and use those early warnings to take protective actions that could minimize the loss and damage that people experience from climate-related hazards.

There are various tools available for AA funding for development partners. These would not be available to top up Government contingency funds but are a useful complement to a national financing mechanism. These include the following:

Table 2: Funds available for AA

NAME OF FUND OR PROJECT	WHO CAN APPLY	TYPE OF TRIGGER FOR FINANCING	ACTIVATION IN TIMOR-LESTE
Central Emergency Response Fund (CERF) Anticipatory Action finance	Office for the Coordination of Humanitarian Affairs (OCHA)-facilitated pilots	Narrative risk analysis and expert decision-making	USD2.08 million for El Niño-related drought
Anticipatory pillar of the Disaster Response Emergency Fund (DREF)	National Societies	Parametric trigger	IFRC has approved DREF Fund for CVTL to implement flood EAP
Special Fund for Emergency and Rehabilitation Activities (SFERA) AA funds	FAO country offices	Narrative risk analysis and expert decision-making	Fund accessed for activation for drought in four municipalities of Baucau, Covalima, RAEOA and Viqueque
Anticipatory Action Fund (AAF)	Project partners (Australian Humanitarian Partnership)	Institutional capacity assessment, hazard assessment and municipal forum	Not yet activated as of February 2024
Proposed ASEAN AA finance pot	Not yet created, but available to ASEAN member governments	Proposed mechanism, has not yet defined triggers	Proposed mechanism, has not yet been activated

Innovative financing mechanisms, such as catastrophe or resilience bonds, offer another method of financing AA. Catastrophe bonds are issued by governments to investors to protect themselves against the risks of low probability but high-impact disasters. If there is no disaster, the capital raised by investors is returned to them with interest at the end of the bond term. If there is a disaster, investors lose all or part of the money they invested, and the money is paid out for government response actions. In this case, the bond would need to be designed to enable anticipation, which would be a novel feature of a catastrophe bond.

Similarly, a resilience bond is an insurance instrument that links public insurance coverage with investments in resilience projects to reduce hazard risks. Adding a resilience infrastructure project to a conventional catastrophe bond can reduce the possibility that investors lose the money they invested into the bond, as risk modelling may show a change in expected losses (Khan *et al.*, unpublished). In Timor-Leste, there is not yet any public insurance coverage through regional risk pools or parametric insurance. Timor-Leste is eligible to join PCRIC (see Section 2), but has not yet done so. Use of disaster financing instruments, including risk transfer mechanisms introduced here, is expected to increase following the validation and operationalization of the national disaster risk framework and policy (mentioned earlier). This may be an opportunity to explore their use in financing AA ‘fuel’ costs in addition to post-disaster expenses.

7. Decentralizing finance for AA

The decentralization of DRM responsibilities in Timor-Leste creates specific requirements for the flow of funds from a national AA financing mechanism to effective local level AA implementers. While the municipality is considered the 'core territorial unit for risk management', coordination between the national and local levels is reported to be weak (World Bank, 2021). The recent legislative and administrative reforms mentioned earlier – including the passage/enactment of the Civil Protection Law (12/2020) and the Decree-Law on the structure of the CPA (23/2024) – are intended to strengthen DRM institutions and vertical coordination. Connected to the legal mandate of the CPA Decree-Law, a national DRM strategy is currently being prepared (led by the CPA with support from the International Organization for Migration), and a NCPEP is being finalized by the CPA. As per Decree-Law 23/2024, regional and municipal civil protection emergency plans are expected to be drawn up soon, too. The CPA Decree-Law 12/2020 (articles 12.3, 15.3) prescribes the activation of these latter Civil Protection Emergency Plans in case of a declaration of an alert or contingency, respectively.

Ambiguities with respect to institutional mandates on DRM at the local level remain and are likely to require resolution for the effective flow of AA finance to affected communities (for instance via the NCPEP). To date, these translate into uncertainty over the most relevant budgets that could be tapped into for local level AA as well.

Currently, under the Ministry of State Administration (MSA), municipal administrators serve as district disaster coordinators. This role comprises *inter alia* chairing the District Disaster Management Committee (DDMC), co-chaired by local directors of the CPA and MSSI. The DDMCs 'coordinate district financial resources to provide the most effective response to identified needs; and recommend requests for national support, identifying the type, scale and timing of the support, and the logistical information needed for effective delivery.' (World Bank, 2021). To support the municipal president with these functions, each municipality administration (under the MSA) has a disaster management directorate or Municipal Service for Civil Protection and Natural Disaster Management (DNGRD), with a limited budget for emergency preparedness.

Ambiguities lie in the level of integration of civil protection. The CPA's directors at municipal level coordinate with the municipal authority and DNGRD but operate separate budgets and institutional reporting lines. The CPA's remit[3] includes decisions over the use of in-kind relief items in coordination with the municipal administrator (food and 19 non-food items as per CPA 2023 that are also detailed in the draft NCPEP[4]. Relief items are stored in municipal warehouses, which are currently being expanded in five municipalities through the creation of CPA multi-purpose facilities. Forthcoming legislation on a national emergency planning system (CPA 2023; Decree-Law 23/2024, Articles 44, 48) are expected to further guide in-kind relief.

3 Defined in Decree–Law 23/2024 articles 32–35.

4 'Relief' is now defined in the 2020 CPA Decree-Law as 'assistance and/or intervention during or after a serious accident or disaster in order to meet basic survival and subsistence needs.' Relief item distribution is further governed by Decree-Law 7/2021.

At the sub-district level, a sub-district administrator leads emergency and disaster risk reduction activities; within each village, the *suco* chief and village leaders oversee DRM activities (World Bank, 2021). *Sucos* do not typically have resources allocated for disaster preparedness/response but rely on provisions from higher levels (typically in-kind; which, according to key informants, is the preferred modality for *sucos*)[5]. While *suco* administrators report to the municipal authority, they were also linked to the municipal CPA commanders via the integrated police service. But since CPA commanders were replaced by CPA officers in mid-2024, this hierarchical link no longer exists.

5 The MALFF DRM Action Plan however states that 'there are institutional mechanisms and capacities in place at *suco* level that allow for the transfer of funds from national level (in this case the Ministry of State Administration) via the municipality-level *suco* development directorates to the *suco* leaders', and that potential MoF contingency funding would 'be channelled through sub-sectoral MALFF directorates to affected municipalities to implement necessary activities at *suco* level'. In case ambiguities on the integration of the CPA with municipality administrations are resolved, this may open doors for potential onward transfers of resources from a CPA-held contingency fund to *sucos* in cases where this adds value/speed over procurement in the municipality centres and in-kind delivery.

8. Key issues for policy and legal alignment for AA finance

To unlock finance, there is a need to strengthen the legal basis for AA in Timor-Leste. As a starting point, the adoption of the AA roadmap would help validate its aims and ensure that there is sufficient buy-in for AA goals. In the AA roadmap, the integration of AA into the national disaster risk management policy and Decree-Law No. 3/2016 is a priority action for Timor-Leste's AA stakeholders. Doing so is a critical first step towards enabling a national financing mechanism for AA, as it would empower the CPA and relevant line ministries to set aside budgets in their ministerial level contingency funds. According to key informants, there are no laws or other policies that would explicitly prohibit spending before a disaster occurs, but Government staff may be reluctant to undertake proactive AA without a legal framework endorsing it.

In addition to including AA in DRM policy and plans (such as the forthcoming national DRR/DRM strategy), AA should be integrated explicitly into SOPs for disaster response. A key entry point here are the NCPEPs currently under development. The key is to clarify roles, responsibilities and priority actions across all levels. The MALFF already has experience of developing a SOP for AA, which can serve as an example for other ministries and other hazards. Importantly, these SOPs must be decentralized, particularly to the municipal level where much of the anticipatory action is likely to take place. The mandated regional- and municipality-level civil protection emergency plans (Decree-Law 23/2024), offer a clear entry point for this. Without clear plans, finance for AA is unlikely to result in timely action.

At the municipal level, enabling AA requires clarifying how the new Civil Protection Law and Disaster Risk Management Law interact. The CPA is now an authority under the Ministry of the Interior and is tasked with managing civil protection activities (including disaster response) at the municipal level through the municipal CPA commanders. In practice, however, this overlaps with the disaster response roles for existing municipal disaster management committees created through the Disaster Risk Management Law (see Section 7). At the subnational level, the Government of Timor-Leste needs to clarify how and where finance for AA should flow as well as the roles and responsibilities for coordinating and delivering AA actions.

Finally, the procurement arrangements of the national Government of Timor-Leste are a major factor that slow down potential AA or rapid response. This issue affects Government ministries and development partners alike. In the MALFF, procurement challenges and regulations were an impediment to AA in the country's response to the recent El Niño drought. For AA, pre-arranged contracts with suppliers and the advance stocking of warehouses will be vital for timely delivery. Defining procurement regulations related to AA can have a major bearing on whether AA led by the Government of Timor-Leste will be effective. Intended reforms as part of the DRF framework and policy development process following the assessment of DRR responsiveness and public financial management (World Bank, 2023) may help to resolve these issues.

9. Conclusion

By creating a CPA contingency fund for AA and rapid response, Timor-Leste could host one of the most advanced anticipatory action mechanisms at the national Government level. The momentum built through AA pilots and the GCF's investment in Timor-Leste's meteorological capabilities could be enhanced with a financing mechanism for AA at the national Government level. This would require support from development partners and donors, who can lend expertise and direct financial support to the CPA (and potentially others, such as MALFF) contingency fund(s). Given the critical juncture at which Timor-Leste's DRF practice now stands with the development of a national DRF framework and policy, this is a timely opportunity. Here we make specific recommendations for different stakeholders to help the Government of Timor-Leste achieve this vision.

Recommendations for the Government of Timor-Leste

- Integrate AA financing into the developing national DRF framework and policy, including through the:
    - creation of a CPA-level contingency fund for AA and rapid response (with the potential for replication with the MALFF and other ministries)
    - clarification of, along with capacity-building on, access protocols for the existing MoF-held contingency fund
- Endorse the national AA roadmap
- Include AA in the national DRM policy and Decree-Law No. 3/2016 as well as the forthcoming national DRM plan
- Integrate AA into SOPs for disaster response, in particular the NCPEP and MCPEPs
- Revise procurement regulations to ensure compatibility with AA timelines
- Clarify institutional roles for AA and rapid response at the municipal and *suco* levels and resolve ambiguities regarding the roles of DMCs, the DNGRD and municipal CPA commanders.

Recommendations for climate finance institutions and donors

- Support the Government of Timor-Leste by donating directly to the proposed CPA contingency fund or via the existing CPA bank account for donor contributions
- Fast-track Timor-Leste's DAE accreditation by providing dedicated support and capacity building, which could result in financing a second phase of the existing GCF EWS project to enable the CPA, MALFF and other relevant ministries to begin to take protective action for vulnerable people in anticipation of disasters
- Investigate the potential of innovative financing mechanisms such as parametric sovereign insurance or resilience bonds to sustainably source finance for the Government of Timor-Leste's AA strategy, and support the country in the integration of AA into DRF policy and practice.

Recommendations for AA development partners

- Compile evidence of effective AA based on pilots and share lessons with the Government of Timor-Leste
- Advocate for AA roles suited to the Government and demonstrate AA interventions that the Government is not currently set up to deliver (cash, vouchers etc).
- Work with the municipal government (CPA directors and DMCs) to build capacity for AA and coordinate AA and rapid response
- Identify procurement arrangements that are more appropriate for AA and rapid response and share these with the Government to work as a template for AA in the future.

10. Annex

Phase 1 methodology:

The primary objective was to explore the potential for a national financing mechanism for AA in Timor-Leste. The study assessed the existing financial frameworks, policies and practices that are implemented by the Government.

The study began with a literature review to identify best practice for AA financing. This assessed grey literature on disaster risk finance and AA generated by development partners and DRF research institutions.

Key informants were then consulted in Dili, Timor-Leste from 28 January to 3 February 2024. Key informants from the Government included:

- NDA president
- CPA police superintendent, CPA finance director, CPA chief of the emergency recovery department, CPA chief of the finance department, CPA operation deputy for terrestrial, CPA operation deputy for aerial
- MoF general director of treasury, MoF national director of payment, MoF chief of the department of government funds
- MSSI finance director
- MALFF focal point for AA

Key informants from development partners included staff from the CVTL, World Food Programme, Food and Agriculture Organization, World Vision, Australian Humanitarian Partnership and the International Federation of Red Cross and Red Crescent Societies.

Recognizing the potential to further investigate AA finance at the decentralized level, Phase 2 of the study was conducted by the FAO Timor-Leste with support from the FAO Regional Office for Asia and the Pacific. A further review of relevant literature and policy documents was conducted alongside interviews with key informants from across government and partner organizations. This research was validated at a national workshop titled Disaster Risk Finance for Anticipatory Action held in Dili in August 2024.

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