

Rural Water and Sanitation in Timor-Leste

Concept Note

(Version 6: 22nd July, 2011)

1. Introduction

This concept note outlines a proposed new phase of support to the rural water, sanitation and hygiene sector (RWASH) in Timor-Leste for 2012-2017 (the Program). The approximate budget allocation to this program of work is \$60 million over five years. This new phase will build on Australia's existing program, Be Saneamentu no Ijene Komunidade (BESIK). BESIK is a five-year, \$41 million project implemented by a managing contractor which provides technical assistance to the Government of Timor-Leste (GoTL) and subcontracts NGOs to deliver water and sanitation services to communities.

This concept note draws on strategic directions set by a delivery strategy for Australia's support to the sector, internal consultations, highly participatory consultations and workshops with GoTL counterparts and a significant body of analytical work on RWASH and related issues in Timor-Leste and other countries.¹

This note will provide the rationale for engagement in the RWASH sector more broadly, and the rationale for the areas of support identified through the consultation and analytical stages of its development. It will also outline key principles for engagement, identify the most appropriate modality for delivery, describe operational linkages to other AusAID programs, identify key risks to the Program, and outline how the scope of the Program will be narrowed through the design phase.

Annex 1 shows the current national and district government institutional arrangements for the water, sanitation and hygiene (WASH) sector. Annex 2 describes the model of service delivery for the water supply in Timor-Leste. Annex 3 provides a list of acronyms, and Annex 4 shows a representation of the preliminary logic that structures this concept note and will guide the design process.

2. Rationale for Continued Engagement in the RWASH Sector

Having access to safe water² and basic sanitation,³ and adopting good hygiene practices⁴ is vital to everyone's life. Improving access to water and sanitation is a target under MDG 7. Improving WASH also leads to broader development gains. First, improving WASH means Timor-Leste's people can live **healthier lives**, particularly women and children. This directly addresses MDGs 4, 5, 6 and 7. Basic sanitation, improved hygiene practices, safe drinking water sources and more water for washing can prevent water related diseases, other illnesses, and death, especially in children.⁵ It can also support better care for mothers and children in health facilities, and improve pregnant women's health, which in turn encourages safe pregnancies and healthy babies.

¹ This includes analysis conducted under the current BESIK project as well as a wide range of other sources.

² An improved water source that is protected from contamination, especially human and animal faeces.

³ Facilities for the hygienic disposal of human waste and dirty water, which keeps human waste separate from human contact. They include latrines which flush waste into a piped sewer system, a septic tank or a pit latrine, as well as composting toilets.

⁴ Good hygiene practices improve basic environmental conditions that affect human health and include keeping drinking water safe, proper disposal of human and animal wastes, hand-washing with soap after going to the toilet and protection of food from contamination when preparing meals.

⁵ AusAID, 2011 (Internal Draft), 'The Billion Bottoms: A water, sanitation and hygiene strategy for Australian aid' (hereinafter, 'AusAID Draft WASH Strategy'); WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation, <http://www.wssinfo.org/guided-tours/watsan-health/>.

There continues to be high numbers of deaths from common and preventable diseases in Timor-Leste, including malaria and respiratory illness. In 2009, life expectancy at birth was around 62 years. It is estimated that Timor-Leste's maternal mortality rate is still somewhere between 440 and 557 deaths per 100,000 live births, while the infant mortality is around 44 deaths per 1,000 live births.⁶ Diarrhea is highly prevalent among children. It accounts for 11% of under-five child deaths⁷ and a recent survey found 16% of all children under five years had diarrhea in the preceding two weeks.⁸ Rates of parasitic infections are high, particularly among school-aged children.⁹ Strengthening basic health service delivery, including a special focus on maternal and child health, is a pillar of the Australia-Timor-Leste Country Strategy 2009-2014 (the Country Strategy).

Second, development of WASH can help improve **access to education and economic development** (MDG 1 and 2). The disease burden caused by poor WASH undermines people's ability to participate in school and work.¹⁰ This costs households money through lost work due to illness or the need to supervise children who are too ill to attend school.¹¹ Improving WASH services can particularly benefit girls' and women's access to education, as girls can attend school instead of collecting water. Also, installing separate toilets and washing facilities for boys and girls increases girls attendance at school.¹² Educated women result in healthier families (MDG 3). Poor WASH also carries further economic costs, particularly impacting on women, such as: disease treatment; water pollution, which adds to household cost of safe freshwater; loss of productive land; and lost time required to access water or sanitation.¹³ Improving education service delivery is also part of the first pillar of the Country Strategy. Increasing employment by increasing agricultural productivity and infrastructure is the second pillar.

Third, improved WASH service delivery can help people recognise the government's role as they see the government responding to their needs (**state legitimacy**). This can encourage people to hold the government to account and demand better quality services. Including all citizens – women, youth and other vulnerable groups - in decision-making about water infrastructure can reinforce the government's role in ensuring quality service delivery and create links between people and the government.¹⁴ The need to support stability and peace underlies all Australian programming in Timor-Leste - and improving government accountability, transparency and integrity is the third pillar of the Country Strategy.

Water and sanitation standards, as well as health, education and employment conditions are significantly worse in rural areas. Therefore Australia's support to the sector has and will continue to concentrate on WASH improvements in rural communities. This is consistent with the Country Strategy and is also justified by the stronger focus of other donors (ADB and Japan) on urban WASH.¹⁵ USAID is the only other bilateral donor supporting RWASH. Their support is of a smaller

⁶ Estimates from the Government of Timor-Leste Demographic and Health Survey 2009-2010 and Timor-Leste's Health Management Information System (Ministry of Health) 2008-2009.

⁷ WHO, 2011 World Health Statistics, http://www.who.int/whosis/whostat/EN_WHS2011_Full.pdf

⁸ Estimates from the Government of Timor-Leste Demographic and Health Survey 2009-2010 and Timor-Leste's Health Management Information System (Ministry of Health) 2008-2009.

⁹ WHO Background Paper for Donors' Meeting on East Timor, 2001, www.who.int/disasters/repo/6979.doc: estimates that 80% of school-age children suffered from parasitic infections.

¹⁰ WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation, <http://www.wssinfo.org/guided-tours/watsan-health/>

¹¹ AusAID Draft WASH Strategy

¹² AusAID Draft WASH Strategy

¹³ Hutton, G., 2007, 'Economic Impacts of Sanitation in Southeast Asia Summary: A four-country study conducted in Cambodia, Indonesia, the Philippines and Vietnam under the Economics of Sanitation Initiative', Water and Sanitation Program, World Bank; http://waterwiki.net/images/4/42/LiteratureReview_UNDP_EconomicsofWaterAug08.pdf

¹⁴ AusAID, 2011 (Draft), 'Fragility and Violent Conflict Guidance Note', 18, 24; Welle K, 'Improving the provision of basic services for the poor in fragile environments: Water Supply, Sanitation and Hygiene International Literature Review', Humanitarian Policy Group, Overseas Development Institute, London. Prepared for the AusAID Office of Development Effectiveness, 2008.

¹⁵ ADB is supporting urban WASH in Dili, Macassar and Manatutu and JICA is supporting urban WASH in Aileu.

scale (in two districts only) and funds NGO direct implementation rather than supporting government delivery.

Better access to water and sanitation and improved hygiene behaviours lead to better health, education, economic development, and state legitimacy - making improved water, sanitation and hygiene behaviour a cost effective and important priority for both the Government of Australia (GoA) and GoTL. This is reflected in the agreement to prioritise RWASH in the Country Strategy, and in GoTL's more recent commitment to water supply - both through increased budget allocations and its inclusion as GoTL's first national priority in 2010 and 2011. Australia and GoTL have established a strong and effective partnership in the RWASH sector through BESIK, and Australia remains the largest donor in this sector.

3. What is affecting access to rural water and sanitation services and hygiene practices in Timor-Leste?

As discussed above, it is helpful to think about RWASH as consisting of three key elements: a) access to safe water supply; b) access to basic sanitation facilities; and c) changes in hygiene behaviour. There are supply and demand dimensions to this: the supply of facilities and services, and the demand for and correct use of these services and facilities.

Increasing access to both safe water and basic sanitation is the foundation step, but by itself is not enough. Health and other benefits can only be fully realised when people *use* services properly. Good hygiene practices such as hand washing with soap (HWWS), for example, after going to the toilet, are essential.¹⁶

In Timor-Leste: 63 per cent of rural *aldeias* have access to a system that is likely to provide safe water¹⁷ and only 35.8% of rural households have access to basic sanitation.¹⁸ Poor hygiene practices remain widespread: most households report disposing of infant faeces at a public tap or water body, and HWWS rates remain low.¹⁹

After access and use, it is important to consider the sustainability of these improvements and the need to move from an infrastructure to a service delivery focus, incorporating long term maintenance and management. Whether Timor-Leste reaches MDG targets will depend upon whether improvements in access and behaviour are sustained. A recent study of two districts found that 70% of water systems are not fully functioning one year after construction; and about a quarter of new toilets will have been abandoned within one year.²⁰ Without adaptation, climate change (increased rainfall and floods in wet seasons alongside drier dry seasons) will likely make these figures worse.²¹ In terms of hygiene practices, NGOs report that behaviour change falls away after projects end.²²

The analyses of the underlying factors that affect community access to services and changes in hygiene behaviour (below) show that changes in practices are required from a wide range of stakeholders in the RWASH sector - from households, communities, the private sector and NGOs. Changes are also required from within government including the district and central government agencies working in the WASH sector, and core agencies that provide the enabling environment for

¹⁶ AusAID Draft WASH Strategy, 11.

¹⁷ An *aldeia* is a hamlet which has on average 80 households. There are 2,330 *aldeias* in East Timor, with 2000 in rural areas. UN Joint Monitoring Programme 2009.

¹⁸ Government of Timor-Leste, Demographic and Health Survey 2009-2010.

¹⁹ Timor-Leste Joint Sanitation Evaluation, 2009.

²⁰ Baseline study of Water Supply & Sanitation in Aileu & Lautem Districts, PLAN Timor-Leste, 2009. "Fully functioning" is defined providing safe water through-out the year to 80% of the community

²¹ Dewi Kirono; Climate change in Timor-Leste – a brief overview on future climate projections; National Resource Flagships Climate Adaptation CSIRO; September 2010

²² Timor-Leste Joint Sanitation Evaluation, 2009.

the WASH sector to operate effectively. This is a complex sector that requires a range of stakeholders to work together to achieve shared goals.

A summary of some of the key factors affecting access to rural water and sanitation and changes in hygiene behaviour are provided here, but a more detailed analysis is available in a separate document and will be presented in the final design document.

Factors Relating to Households and the Community

At the household level, there needs to be a demand for basic sanitation and hygiene practices. Knowledge or awareness of important practices such as hand-washing are commonly held (although the critical times for hand-washing are less well known). But there are other barriers to the adoption of hygiene practices - including environmental and motivational drivers that influence a household's willingness to invest in improved sanitation and hygiene (e.g. building a latrine with local materials, purchasing soap).²³

At the community level, access to safe water is constrained by the breakdown of community engagement in the planning, design, construction, management and maintenance of water systems. A further constraint has been limited women's decision-making on both design and management of rural water systems. Active and inclusive community engagement through organized water user groups is a prerequisite for sustained functionality of water systems.²⁴

Factors Relating to the Private and NGO Sectors

The private sector plays a key role as contractors for construction, rehabilitation or major maintenance tasks. They are also important as importers, wholesalers, producers or retailers of spare parts for maintenance of facilities, and for sanitation and hygiene products at the local level. NGOs construct facilities and empower communities to actively engage in the on-going maintenance of facilities. NGOs play an important role in improving community hygiene practices. Lastly, they play a broader role in promoting state accountability. Currently, contractors and NGOs do not always provide the desired level of quality of construction or value for money in the products and services they provide, mainly due to capacity constraints. They are not currently able to deliver products and services to adequately meet the needs of rural communities. NGOs are also challenged to provide quality mentoring and support to the Ministry of Health (MoH) District Health Service for Community Led Total Sanitation (CLTS).²⁵

Factors Relating to District Government in the RWASH Sector

District agencies include the District Water and Sanitation Service - SAS (in the Ministry of Infrastructure - MoI), the Department of Health Services – DHS (in MoH), and District Administrations (in the Ministry of State Administration and Territorial Management - MSATM). Annex 2 outlines district agency roles in water supply.

In terms of water system construction, BESIK's experience has demonstrated that three key district government functions have a major impact on water system quality and sustainability: survey and design; contractor selection and supervision; and facilitation of community engagement. Further, while communities are legislatively responsible for ongoing maintenance of their own systems, it is widely acknowledged that district government must support communities to do this, as well as carry direct responsibility for major repairs. District government's role is particularly important in more

²³ Beth Scott, Handwashing with Soap in Timor-Leste: Reflections & Recommended Next Steps (Part One), May 2011 (for BESIK/AusAID). Examples of possible motivational drivers include a fear of contamination (disgust) and a nurturance driver (to comfort/ feed child).

²⁴ Baseline study of Water Supply & Sanitation in Aileu & Lautem Districts, PLAN Timor-Leste, 2009.

²⁵ Fabiola Araujo, Delfina de Jesus, Marcelino Vaz de C Soares, Michelle Whalen, Total Sanitation Campaign Evaluation Report, BESIK, May 2011. CLTS is a methodology for mobilising communities to completely eliminate open defecation. Communities are facilitated to conduct their own appraisal and analysis of open defecation and take their own action to become ODF (open defecation free).

complex and multi-village systems where community management is more difficult. More work is needed to trial viable maintenance models (e.g. public-private partnerships and community/government 'mixed management' approaches).²⁶

Districts' ability to carry out these roles is limited by insufficient **resourcing** and cumbersome MoI **financial management** systems that restrict SAS managers from efficiently accessing and spending funds.²⁷ There are variable **management skills** across SAS districts (e.g. project management, staff management and budgeting).

The introduction of alternative funding and delivery mechanisms for water systems is a further complicating factor for **coordination**. Under new Decentralised Development Packages (called PDD1 and PDD2), District Administrations under MSATM carry lead responsibility for project delivery and procurement, but SAS under MoI retains responsibility for supervising the delivery of rural water systems. Although roles have been clarified at the central level, effective coordination at the district level is yet to be bedded down. SAS managers identify a number of common difficulties such as limited SAS involvement in contractor supervision. Consequently, there are reports of contractors being paid for poor quality work.²⁸

DHS leads on delivery of sanitation and hygiene services in rural areas, but is constrained by lack of resourcing.²⁹ Through hygiene promotion programs in villages and schools, significant inroads have been made on improving sanitation and hygiene awareness. At the household level, with NGO support, Family Health Promoters (PSFs) are also collecting important data on health behaviours (this information system is called KUBASA). Both functions are important and should continue, but there is a need to deepen **engagement at both community and household levels**, and move beyond a health education focus to a **behaviour change focus**. Based on the draft Sanitation Policy, in 2010 the government commenced a pilot Total Sanitation Campaign employing more intensive non-subsidy approaches (CLTS, sanitation marketing, and assistance to vulnerable households). However, implementation has been inconsistent and inadequately coordinated and resourced, especially at the district level.³⁰

Factors Relating to Central Government Agencies in the RWASH Sector

Central agencies include MoI (especially the National Directorate of Water Supply and Sanitation – DNSAS,³¹ and the National Directorate for Water Resources Management - DNGRA), MoH (especially the National Directorate for Community Health - DNSC) and MSATM. With respect to water supply systems, **coordination** of service delivery between these central agencies is also a critical challenge. Although coordination between MoI, MoH, NGOs and donors has been effective, inter-ministerial coordination (between MoI, MoH and MSATM) has been less successful.³² While some clarity has been achieved about the respective **roles and responsibilities** of MSATM and MoI in relation to delivery of PDD-funded systems, this is still being bedded down at district level. Further, it is still unclear what role line ministries will play in the roll out of emerging rural development funding mechanisms managed by the new National Development Agency (NDA).

²⁶ BESIK 6-monthly report #6; BESIK 6-monthly report #7, Annex 3.3

²⁷ John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID)

²⁸ Analysis of PDD process 2010; SAS Managers Workshop; February 2011

²⁹ Fabiola Araujo, Delfina de Jesus, Marcelino Vaz de C Soares, Michelle Whalen, Total Sanitation Campaign Evaluation Report, BESIK, May 2011.

³⁰ Fabiola Araujo, Delfina de Jesus, Marcelino Vaz de C Soares, Michelle Whalen, Total Sanitation Campaign Evaluation Report, BESIK, May 2011.

³¹ Under a recent 2011 organic law (Ministerial regulation) this Directorate will soon be split into separate two Directorates – one for water supply and another for sanitation.

³² Australia–Timor-Leste Rural Water Supply & Sanitation Program (BESIK); Report of the Mid-Term Independent Progress Review; 2010 (hereinafter, BESIK Independent Progress Review, 2010)

More broadly, the institutional home of water resource management within government is not settled.³³

For sanitation, coordination between DNSAS in MoI and DNSC in MoH is quite strong, thanks in part to BESIK support.³⁴ More broadly, there is limited collaboration and learning between implementing agencies (e.g. NGOs and MoH) despite the existence of the National Sanitation Working Group.³⁵

Steady progress has been made on the development of draft water supply and water resources **policies and guidelines**. They enjoy good ownership within the MoI. However, they are yet to be approved by the Council of Ministers and much further work is required to operationalise them. Climate change adaptation strategies are being developed in conjunction with the policies and will benefit from more detailed predictions of climate change within Timor-Leste in the coming months.

BESIK has supported significant improvements in the quality of DNSAS **evidence-based planning and budgeting**, including a more inclusive approach to annual budgeting, the development of a Water Information System for monitoring the functionality of water systems nation-wide, significant increase in budget for rural water systems, and inclusion of some sustainable recurrent expenditure in budget submissions (e.g. operations and maintenance and salaries for staff at sub-district level). However, despite support from DNSAS management, there is no medium-term expenditure framework for the RWASH sector, which impedes donor-GoTL policy dialogue and alignment.³⁶

Despite major progress, constraints to effective **financial management** for water supply within MoI remain. There is no internal audit function; procedures for the recording and reporting of DNSAS expenditures merit further examination; there is insufficient delegation of financial authority to the districts; and MoI processes for allocation of recurrent budget entail a substantial element of top-down budgeting, rather than responding to need.³⁷

There is the *potential* for MoH planning to benefit from KUBASA health behaviour data collected by PSFs (with NGO support), but KUBASA data is not yet included in the MoH health management **information system** (HMIS).³⁸

GoTL has significantly increased the **budget to MoI for rural sanitation** to \$760,000, with a focus on subsidized latrines. But the MoH budget for hygiene promotion has fallen over the past three years.³⁹ To reach the MDG target for rural sanitation, Timor-Leste requires an investment of approx \$12 million over the next four years using a Total Sanitation Approach focusing on behaviour change.⁴⁰

MoH **public financial management bottlenecks** largely mirror those within MoI, although significant progress has been made in a number of areas such as funding District Health Services on a district-by-district basis; and the Minister for Health has delegated authority for authorisation of commitment and payment vouchers. Procedures for the replenishment of imprest accounts appear to operate more smoothly.⁴¹

There are important challenges remaining within **human resource management** both across the entire sector as well as within the MoI relating to effective workforce planning, staff development

³³ BESIK 6-monthly report #7

³⁴ BESIK Independent Progress Review, 2010

³⁵ Beth Scott, Handwashing with Soap in Timor-Leste: Reflections & Recommended Next Steps (Part One), May 2011 (for BESIK/AusAID)

³⁶ John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID)

³⁷ John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID)

³⁸ BESIK 6-monthly report #6

³⁹ BESIK 6-monthly report #7, Annex 3.3

⁴⁰ BESIK Independent Progress Review, 2010, 7; BESIK 6-monthly report #7, 8; This is an estimate of total investment required (ie including both GoTL and donor funding).

⁴¹ John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID)

and supervisory systems. Central level agencies have a role to play in bringing about private sector involvement as discussed earlier. Effective **partnerships with private sector companies** are required to bring about these changes. GoTL and GoA, through the BESIK Program are currently exploring factors which account for human resourcing and partnership challenges.

Factors Relating to Core Government Agencies and the Enabling Environment

Core government agencies include the Prime Minister's Office (PMO), the Ministry of Finance (MoF), NDA and MSATM. They provide the broader policy environment that enables central agencies to work together with clarity of purpose, and to ensure that wider public sector policies support the implementation of effective water and sanitation activities. Several policy areas are affecting the capacity of the sector to operate effectively.

Coordination of the water and sanitation sector needs to be established and guided by the core agencies. It is likely the new NDA, as its role evolves, will be best placed to determine national whole-of-sector coordination. The dispersal of funding responsibility for water and sanitation facilities across GoTL agencies and decentralisation of some decision-making is, whatever the broader merits, **blurring responsibilities and accountabilities** for financial management on the one hand and service delivery on the other. In 2011 the bulk of funding for both urban and rural water and sanitation facilities and services has been formally appropriated to agencies and funds other than DNSAS.⁴²

A robust **multi-year perspective for fiscal planning** is not yet in place. Reliance on annual (and sometimes supplementary) budgets leads to compressed timetables for the detailed design, contracting and execution of small-scale capital works such as those typical in the RWASH sector.⁴³

PMO and MoF have driven massive increases in funding to rural water supply, over the past few years, which have the potential to support Timor-Leste meeting its MDG target for rural water supply. However, it has been mainly allocated to capital without sufficient **resourcing for associated recurrent expenditure** (especially operations and maintenance) which are critical to sustainability. Similarly, recurrent expenditure components of DNSAS budget submissions were refused last year. But promisingly, in 2012 MoF plans to introduce incentives for more operations and maintenance expenditure.

Procurement processes have suffered from unclear and constantly changing responsibilities across government, and less competitive procurement methods have become more prevalent e.g. Decentralised Development Packages.⁴⁴

Decentralisation of functions and funding to municipal councils (at district level) will mean further changes to public financial management (PFM) and other systems for the delivery of water and sanitation services.⁴⁵ However decentralisation policy development and implementation has been deferred until after the national elections in 2012.⁴⁶

⁴² John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID). These funds include a) US\$65.0 million for the Infrastructure Fund (serviced by the National Development Agency) for MDG water and sanitation and MDG housing for vulnerable groups (the latter to include a water and sanitation component); and b) US\$26.6 million for the Decentralisation Development Program/Package (PDD1 and PDD2), a significant proportion of which will flow to water and sanitation services, managed by the Ministry of State Administration and Territorial Management. In comparison, DNSAS's total budget appropriation for 2011 is only US\$5.0 million, however it will continue to provide design and supervision services for the delivery of capital projects funded through the other agencies while retaining ongoing funding responsibility for their maintenance.

⁴³ John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID).

⁴⁴ John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID).

⁴⁵ See 2009 draft Local Government Laws (only one of three has been passed by National Parliament).

⁴⁶ John Mellors, Timor-Leste Water and Sanitation Sector Financial Management Analysis, May 2011 (for AusAID).

4. Program Description

Program Goals

The Program's focus is on supporting real changes in rural people's lives. In order to improve RWASH in Timor-Leste, this Program will contribute to two goals:

- ***Rural communities have sustainable and equitable access to safe water and basic sanitation facilities; and***
- ***Rural communities sustain good hygiene practices and behaviour.***

At all times, the Program will ensure a clear 'line-of-sight' to these goals. GoTL aims to ensure by 2015 that 75 per cent of the rural population has access to safe and sufficient water and 55 per cent of the rural population has access to improved sanitation.⁴⁷ Australia will contribute to the government achieving these targets, meaning an extra 200,000 people will have access to safe water and 230,000 people will have access to improved sanitation.⁴⁸

The focus on *rural communities* (including villages, school and clinics outside towns) will maximise the Program's contribution to poverty reduction. While the Program will not invest directly in improving WASH in district towns, the Program's support to district service delivery capacity, including human resources at district level, will have flow-on benefits for district town residents.⁴⁹ Improvement will be *sustainable* in terms of management of water resources as well as sustainability of service delivery, community engagement and behaviour change. There will be a focus on *equity* in terms of involvement of, and benefits for, the poor, isolated communities, women and the disabled.

Program Scope

This Program aims to bring about behaviour change across a wide range of stakeholders identified in the previous section, including communities, the private sector and NGOs, and government at the whole-of-government, central and district levels. This suggests a Program of work with wide scope engaging the entire water, sanitation and hygiene sector.

A key objective of the Australian aid program in Timor-Leste, as discussed above, is to contribute to state legitimacy by supporting effective service delivery by government. Ultimately, sustainable behaviour change across all these stakeholders is dependant on government playing its role effectively. As such, the Program will focus on helping government lead improvements in: a) delivery of services directly to the community, and b) facilitation of effective community, NGO and private sector engagement in the sector. The detail of the intervention logic is outlined in Annex 4.

Despite this focus on the government stakeholders, the impact on real changes in rural people's lives remains crucial. **The success of the Program will be measured by both government performance with service delivery, and ultimately, by the extent to which they have successfully engaged the community and private sectors to adopt the desired behaviours.**

This means there are direct and indirect beneficiaries of the Program. The direct beneficiaries are those that the Program engages with directly and are whole-of-government, central and district level government agencies. The indirect beneficiaries are the private sector and community groups

⁴⁷ GoTL committed to these MDG targets in 2002. The current government has maintained this commitment. See: Millennium Development Goals: Timor-Leste National Report, Government of Timor-Leste and UNDP, 2009.

⁴⁸ AusAID calculations based on: rural population from the World Bank World Development Indicators (and 2.6% rural population growth per year) and the current situation as outlined in the Demographic and Health Survey 2009-2010 of 63 per cent of rural population with access to safe and sufficient water and 35.8 per cent of rural households with access to basic sanitation.

⁴⁹ Through the design process, while maintaining a focus on rural communities, Australia will further discuss with GoTL (DNSAS) the connections between RWASH support and support to district towns.

whose behaviour changes are brought about by government. The range of desired behaviour changes are presented as the end-of-program outcomes below.

End-of-Program Outcomes Summary

End-of-program outcomes are the changes in performance and behaviour expected on the last day of the Program. They are intended to be realistic outcomes, against which the Program's success will be measured.

End-of-Program Outcomes of Indirect Beneficiaries

Community level

Two key behaviour changes are required of rural communities. First, sustainable access to water and sanitation facilities requires that ***rural communities adopt socially-inclusive planning, management and monitoring of RWASH activities***. This outcome includes several elements: a) community participation in planning and implementing water supplies using a socially and gender⁵⁰ inclusive process (including the formation of water user groups), which is currently facilitated through DNSAS's Community Action Planning (CAP) model;⁵¹ b) ongoing monitoring and maintenance by water user groups supported by district officials (SAS) and collection of small user fees; c) water user group engagement of SAS for more complex repairs; and d) communities' engagement in CLTS processes.

Second, that ***rural households and communities adopt good hygiene practices***. This includes building or buying latrines,⁵² ending open defecation, hand-washing with soap at critical times (e.g. after going to the toilet), keeping latrines clean, safe water storage and proper disposal of human and animal wastes.

Private sector and NGO level

Two key behaviours are required from the private sector. First, for improved access to safe water, that ***private sector contractors construct quality water systems that represent good value for money***. Quality standards are set by DNSAS Rural Water Supply Guidelines.

Second, private sector suppliers can influence both access to water and sanitation and hygiene practice by ***effectively participating in hygiene marketing and promotion, and making affordable sanitation products (e.g. latrines, soap) and water system spare parts available in the right location at the right time***.

These indirect outcomes within communities, the private sector and NGOs will be tracked as an indication of the success of the Program.

End-of-Program Outcomes of Direct Beneficiaries

Changes in behaviour are required from three different levels of government.

First, ***district RWASH agencies will enable coordinated, sustained quality service delivery (service delivery includes: a) planning, building, rehabilitating and maintaining water systems; and b) the delivery of sanitation and hygiene promotion programs)***.

Second, to support district agencies perform in this way, ***central RWASH sector agencies will provide effective strategic direction, coordination and appropriate resources to the sub-national level to meet RWASH-related development needs***.

⁵⁰ Women as the main users of water, have vested interest in the functionality of water systems. Promoting women as decision makers in WASH is a non-provocative strategy for enhancing women's leadership.

⁵¹ BESIK Work Plan 2010-12, 9.

⁵² Ref footnote 3: These include latrines which flush waste into a piped sewer system, a septic tank or a pit latrine, as well as composting toilets.

Third, **core public sector agencies will provide the policy framework to enable effective and sustained performance of the Central and District RWASH Sector Agencies.**

The Program's interventions will directly support these changes in government behaviour, which will in turn result in the behaviour changes within communities, private sector and NGOs described above. The changes in government behaviour are the Program Component Outcomes because they link directly to the interventions that the Program will employ. They are explained in more detail below.

Component Outcomes Description

The analytical work and consultations that informed the concept are the first steps in moving toward a fully elaborated design. This concept identifies the likely priority areas of engagement, but additional work is required to refine these further, particularly for Components Two and Three. The design process of ongoing consultation and analyses will allow for this narrowing of scope of the Program so that the final expected outcomes will be realistic within the resources available and time frame of the Program (see *Section 9 - Design Process: Next Steps*).

Component One: *District RWASH agencies enable coordinated, sustained quality service delivery (service delivery includes: a) planning, building, rehabilitating and maintaining water systems; and b) the delivery of sanitation and hygiene promotion programs)*

This is the most important of the Program's three components, and will receive the most Program resources. Work at the district level will prioritise coordination – between SAS, DHS and District Administrations; and between sub-national government, the private sector and NGOs. Planning and budgeting too will be a priority, including SAS and DHS preparation of appropriately balanced and successful multi-year plans and budgets, based on credible data.

In line with directions set by central agencies, the Program will seek to bring about better district-level human resource management with SAS and DHS (e.g. District SAS effective supervision of staff and school health promotion focal points), and district-level engagement of the private sector engagement in hygiene promotion, water system spare parts and latrine production, marketing and distribution.

Most crucially, the Program will support district government's direct service delivery roles:

- On the water side, the Program will support District SAS and District Administrations to meet their mandates to prepare quality designs (in line with DNSAS Guidelines), appropriately select and supervise contractors and NGOs, and support communities to inclusively and sustainably plan, implement and monitor facility construction. It will also help District SAS to provide technical supervision for operations, maintenance and repairs - handling complex repairs of water systems and supporting water user groups to prevent deterioration and manage simple maintenance.
- On the sanitation and hygiene side, it will help DHS deliver and oversee a Total Sanitation Approach incorporating negotiation of behaviour change at the household level by Family Health Promoters, CLTS and provision of subsidised latrines.

Component Two: *Central RWASH sector agencies provide effective strategic direction, coordination and appropriate resources to the sub-national level to meet RWASH-related development needs*

The Program will continue to work closely with the Directorate for Water Supply, the (proposed new) Directorate for Sanitation and the Directorate for Water Resources Management within MoI as well as the Directorate for Community Health within the MoH. As at the core agency level (see below), a primary focus will be improving coordination, incorporating: definition of roles for all relevant RWASH agencies from national to community level, and development of effective

coordination mechanisms a) between ministries b) between government, donors and NGOs and c) between central and sub-national agencies participating in the RWASH sector.

It will also assist alignment of institutional arrangements with new water supply and sanitation policies (i.e. the policy is well-communicated across the organisation, accountability for performance against the policy is defined, and procedures and processes required to implement the policy, including for example, a pricing strategy for water usage) and assisting DNGRA develop and implement a water resources policy that addresses the sustainability of a safe water supply taking climate change projections into account.

In terms of planning and budgeting, the Program will contribute to assisting DNSAS, the new Directorate for Sanitation, DNGRA and DNSC to do successful multi-year planning and budgeting that reflects an appropriate balance between capital works and recurrent costs (particularly operations and maintenance) and between water supply and sanitation, as well as ensuring adequate protection of water resources and equity in access. It will also assist these agencies to generate and use credible data to inform planning and budgeting decisions, and operationalise a national sector performance framework supported by joint assessments.

Other focus areas could include:

- Helping MoI develop enabling financial management systems including needs-based allocation of recurrent funding within MoI; delegation of financial authority to the districts; and efficient procedures for commitment, expenditure and acquittal of funds;
- Improving MoI and MoH general and human resource management (i.e. effective workforce planning, institutionalisation of staff development, training and development for private sector contractors and community groups, etc);
- DNSC designing and managing a national hygiene promotion program that engages the private sector appropriately, and is based on DNSC-commissioned formative research; and
- The new Directorate for Sanitation implementing an effective strategy to bring about private sector participation in latrine production, marketing and distribution.

Importantly, strengthening of DNSC will require close coordination with Australia's broader support to the health sector

Component Three: Core public sector agencies provide the policy framework to enable effective and sustained performance of the Central and District RWASH Sector Agencies

An important new element of this Program will be heightened policy engagement to influence broader whole-of-government policies and structures that directly influence the performance of the RWASH sector. This component will engage with emerging GoTL policies on decentralisation and rural development to encourage clarity about the roles and responsibilities of RWASH sector agencies in planning and budgeting, managing and monitoring service delivery at the sub-national level. It will also encourage the development of clear mechanisms for coordination between these agencies. A particular focus of policy engagement under this component will be helping GoTL define an efficient procurement system, and encouraging MoF to lead multi-year planning and budgeting processes across GoTL, including an appropriate balance between capital works and operations and maintenance.

The expected outcomes of policy engagement under this component will be refined through the design process so that they focus on the appropriate stage of the policy process from setting agendas to policy implementation (see policy engagement section below). Some of this work will intersect with Australia's broader policy engagement agenda across the Country Program; in particular, close coordination will be required with Australia's support to GoTL public administration and public financial management.

5. Principles of Engagement

Sustainability

International experience in this sector highlights the dangers of an ‘implementation’ focus that stresses delivery of water and sanitation infrastructure and hygiene education without sufficient regard to long term sustainability. A central principle of the Program will be fostering the development of a sustainable system of RWASH service delivery in Timor-Leste, incorporating the following elements:

- **Enhanced Ownership** for the Program. Improving ownership refers to increasing the degree of authority over development policies and activities exercised by GoTL, including those policies and activities that rely partially or totally on external funding. For AusAID this means aligning all activities of the Program with GoTL policies, and ensuring that activities build on and strengthen national systems. In addition the Program will support GoTL to provide leadership on aid coordination across the sector.⁵³ Examples of important features of the Program that support ownership are: a) supporting GoTL in setting medium term policy and expenditure priorities in the RWASH sector to enable effective coordination of donors; b) gradual and incremental use of government systems;⁵⁴ and c) a facilitated design approach that places AusAID and GoTL at the centre of Program design decisions rather than external consultants.

With shared decision making comes shared accountability. As the design progresses AusAID and GoTL partners will work together to agree on appropriate results to measure progress and the aspects of the partnership outcomes for which each partner will be accountable. This involves active participation by partners in determining the strategic direction (e.g. agreeing on medium term priorities and budgetary allocations), assessing performance, and each playing an active role in Program improvement.

- **Functional and environmental sustainability** i.e. the extent to which facilities continue to function over time through ongoing use, operations and maintenance, supported by available spare parts, skills, support and services. This includes ensuring natural water supplies retain integrity, taking likely climate change impacts into account, as well as mitigating against damage to infrastructure caused by more intense weather patterns.⁵⁵ Through the design, environmental risks will be considered to ensure AusAID compliance with environmental management requirements. This will include regard to an ongoing system during implementation for environmental management within the Program.
- **Behaviour change and social sustainability** i.e. how improved hygiene awareness and practice are continued over time. This also includes how changes around gender, equity and the meaningful participation of marginalised groups and people with disabilities in RWASH are sustained in the long-term.

⁵³ OECD, 2006, DAC Guidelines and Reference Series Applying Strategic Environmental Assessment: Good Practice Guidance for Development Co-operation, OECD, Paris.

⁵⁴ Note that decisions about potential use of GoTL systems – and how this will be done - will be informed by a full consideration of the benefits and risks. This will include a Fiduciary Risk Assessment of the WASH sector in Timor-Leste.

⁵⁵ On this issue, the main focus of the new Program will be supporting MoI’s DNGRA to strengthen capacity to manage ground water. This means increasing awareness of the relationship between water catchment and water source reliability and promoting policy and planning changes to ensure water resources are protected. This includes understanding and factoring in impacts of climate projections, based on evidence and scientific projections.

- **Institutional sustainability** i.e. the systems, processes and skills public and private sector agencies need to perform. This includes human resource management systems, transparency, technical skills and enabling policy settings.
- **Financial sustainability** i.e. mechanisms for ensuring continuous financial flows at required levels both for capital and recurrent (including operations and maintenance) costs.⁵⁶

Heightened Policy Engagement

A key feature of the Program will be a more strategic approach to policy engagement, with a strong focus on ensuring better outcomes for rural people. Policy engagement under this Program means working on policy agenda setting, policy formulation and policy implementation stages. It also refers to the development of partner capacity to perform effectively during the policy process. Approaches that will be relevant for this Program can be categorised according to the policy processes involved, and will require engagement from both GoA and GoTL.

Setting the Policy Agenda: In Timor-Leste's water, sanitation and hygiene sector, the policy agenda is in its early stages of development, and is influenced by emerging MoF-led approaches to decentralisation and planning, budgeting and procurement. The Program will work with relevant GoTL representatives to move issues into this arena e.g. importance of medium-term expenditure frameworks by raising them with the right decision-makers and networks at the right time. Component Three, and to some extent Component Two are focused on this work.

Policy Formulation: This is not simply the development of the technical content of a policy. Policy formulation involves the generation of policy options based on credible research or well-designed pilots, and a clearly defined mechanism that brings quality evidence to inform decision-makers. An example is working with DNSAS to pilot new approaches to the provision of maintenance services, and then assisting DNSAS develop guidelines based on pilot evaluations.

Policy Implementation: Another important feature of the Program is creating a stronger connection between policy and practice at the service delivery level. This is challenging in Timor-Leste where policy formulation has been relatively recent. Work will focus on three broad areas: (i) legislation, regulations and budgets; (ii) alignment of individual ministries' organisational arrangements; and (iii) alignment of organisational arrangements across ministries. Component Two places strong emphasis on this work.

Policy engagement is carried out by a range of Program stakeholders. AusAID plays a critical role in engaging at senior levels of core and central GoTL agencies, particularly on raising new policy agendas. Technical experts can support AusAID's dialogue on the policy agenda by bringing technical expertise to the table, but they also play an important role in the development and operationalisation of policies at the sectoral level. Technical advisers will also work on building the capacity of GoTL senior and operational staff to contribute effectively to the policy process (roles of technical advisers are discussed in more detail in the following section).

Policy engagement is resource intensive for both Australia and GoTL partners, but is well justified in terms of its contribution to sustained development outcomes. It requires that practitioners from Australia and Timor-Leste possess the following knowledge and skills: political economy and GoTL policy processes; Timor-Leste development needs and priorities; RWASH technical expertise on what works both locally and internationally; ready access to supporting evidence; and effective engagement strategies. Australian and GoTL partners will ensure these skills are available to the Program. Time is the other critical resource. A policy engagement strategy needs to be designed to

⁵⁶ These four sustainability themes, and international best practice related to them, were examined in presentations for the AusAID-sponsored WASH Conference 2011, Brisbane, Australia: <http://www.watercentre.org/wash2011/wash2011>

recognise that some desired policy content outcomes are not likely to be achieved within the life of the Program.

Australian and GoTL partners will work together to develop a strategy that clearly articulates the expected policy outcomes (both content and process), define the approach, identify the resources required and ensure that these resources are made available.

Capacity Development

Recent reviews have found that sufficient capacity outcomes have not been realised for the significant investments made since independence using traditional approaches to technical assistance. Traditional approaches have included an over-reliance on advisers, insufficient clarity of purpose, and inadequate distinctions between capacity development and 'in-line' roles.

This Program will take a broad perspective on capacity development by not focusing on skills development and skills training alone. The concept to date has been developed with a focus on the performance expected to be achieved, not simply the capacity to perform. Performance is influenced by organisational and individual capacity as well as the broader enabling environment and organisational motivations and culture. Even within organisational capacity this concept recognises that staff technical knowledge and skills must be complemented by leadership, basic and more complex managerial skills, a suitable structure, effective processes and procedures, efficient and effective financial management and procurement systems and other important dimensions. Focusing on individual capacity over the capacity of an organisation more broadly also limits the development of sustained organisational performance.

Even within the specific areas of developing staff knowledge and skills, the future design will incorporate evolving developments in both GoA and GoTL policies on the purposeful use of a range of capacity development mechanisms. The Program will address several important issues.

First, that technical assistance (including, but not restricted to, advisers) tasks are defined according to three distinct categories depending on the required outcome: a) high-level strategic or policy advice; b) in-line provision of goods, works, or services; or c) developing skills of individuals or groups. Second, that where capacity development is the expected outcome (which could be the case at all three levels), needs are systematically assessed, specific outcomes are clearly defined by GoTL priorities, the approach employed reflects effective adult learning methods, and content is pitched at the appropriate level. Third, alternate approaches will be considered rather than a one-size-fits-all approach to technical assistance. For example, formal training for basic functionality can be supplemented by supervised work arrangements that embed the desired changes over time. Fourth, where training is identified as a suitable intervention, opportunities for integrating basic and on-going training into national structures will be sought. Finally, the Program design will consider the appropriateness of bringing in local or regional contractors to support in-line provision of goods, works, or services if this is deemed by AusAID and GoTL as an effective step in moving toward a sustainable development outcome.

Equity

Committing to equity means that resources are allocated in terms of need rather than equally dividing resources among the population. Vulnerable groups often need additional resources to help them overcome their particular barriers to development – in this case access to water and sanitation services, and the capacity to improve sanitation and hygiene behaviours.

This Program will encourage a focus on the following vulnerable groups: poor people, people with disabilities, women and girls, remote area households and female-headed households.⁵⁷ The Program will ensure that vulnerable groups meaningfully participate in decisions about RWASH services. Extra efforts will be made to give them a voice during design, monitoring and evaluation

⁵⁷ Recommendation from the BESIK Independent Progress Report, 2010.

processes. The Program will also promote ensuring vulnerable groups are reached by services that adequately address their specific needs.

As there have been limited systematic vulnerability analyses to date, the Program interventions will be based on evidence and analyses about the particular circumstances in Timor-Leste. This analysis will begin during the design phase and continue into implementation.

The Program will build on good practices and outcomes achieved under the BESIK Program particularly related to gender and disability. For example, the Program will continue to encourage women's leadership in water user groups. Women as the main users of water have a vested interest in the functionality of water systems. Promotion of women as decision makers in RWASH is a non-provocative strategy for enhancing women's leadership.

Program logic and joint assessment of progress

The Program design will be based in a logic that enables a clear explanation of how its interventions will lead to its end of program outcomes and, ultimately, its goals of improved access to water and sanitation, and adoption of good hygiene practices (i.e. program logic). These expected links are justified with reference to research, evaluation and international literature (or in the absence of these, stakeholder consultation). At all levels in this program logic, it will be made clear which groups or organisations are expected to change, and how exactly they will be performing differently on the last day of the program. These expectations will be based on an understanding of the time, effort and resources that the Program will bring to bear. A preliminary draft of this program logic appears at Annex 4, and provides the structure for this concept note.

Clear program logic will encourage a shared understanding between GoA, GoTL and implementing partners (e.g. managing contractor) of the Program's intent, which will in turn support shared assessments of the Program's progress. This is an important element of *partnership* and *mutual accountability*.

6. Modalities

Currently, BESIK is delivered through a standalone project delivered by a managing contractor. This was appropriate to Timor-Leste's context at the time of design.⁵⁸ However, introducing some new ways of working in this new phase would assist with operationalising some of the principles discussed above, and overcome some of the limitations of a traditional contracted program. Further, independent evaluations of the RWASH sector in Timor-Leste have identified the potentially high developmental benefits of introducing new modalities.⁵⁹ Specifically:

- More direct engagement between GoA and GoTL (rather than via a managing contractor) would facilitate partnership and *heightened policy engagement* between Australian and Timor-Leste government agencies;
- Strengthening GoTL institutions by channelling funds through them (rather than employing parallel project delivery systems) would improve *institutional sustainability*;⁶⁰ and

⁵⁸ Office of Development Effectiveness (ODE), Independent Evaluation of Australian Aid to Water Supply and Sanitation Service Delivery in Indonesia and East Timor, December 2009.

⁵⁹ Mid-Term Independent Progress Review: Australia–Timor-Leste Rural Water Supply & Sanitation Program, 2010, p 36. See also OECD-DAC (2006) 'Joint evaluation of general budget support'; OECD-DAC (2010) 'Benefits of using country public financial management systems: literature review'.

⁶⁰ Mid-Term Independent Progress Review: Australia–Timor-Leste Rural Water Supply & Sanitation Program, 2010, p 36. Mokoro (2008). OECD-DAC (2006) 'Joint evaluation of general budget support'; OECD-DAC (2010) 'Benefits of using country public financial management systems: literature review'.

- Sharing decision-making and accountability with GoTL (rather than GoA retaining exclusive control of funding and priority-setting) would enhance *government ownership*.

Thus, more detailed exploration by Australia and GoTL of the following modalities will occur during the design phase:

- *Contracted-in AusAID senior technical expertise* for heightened policy engagement and joint decision-making at the executive and operational levels in relation to priority-setting and financing of RWASH services;
- *Increased use of GoTL PFM systems* as the conduit for Australian funding support. This must be done iteratively and be accompanied by careful decision-making based on thorough analysis, review and dialogue;⁶¹ and
- *A results-based component* that is based on jointly-agreed targets for improvements in delivery systems and the sustainability of results.

The design phase, including a Fiduciary Risk Assessment, will examine the appropriate pace of introduction of these new modalities. It will also ensure that their staffing implications are realistically resourced. To ensure continuity of current support alongside incremental strengthening of GoTL systems, a managing contractor role will continue for the foreseeable future.

7. Linkages to other Programs

In terms of AusAID programs, much of the policy engagement work of this Program will need to be resourced by senior AusAID staff and integrated with the broader policy engagement work of the Country Program as a whole. More specifically, linkages will need to be drawn with AusAID's support to health, public administration, and PFM – all of which are being re-designed in 2011.

Australia will continue to provide funding direct to international NGOs through the Australia NGO Cooperation Program and the Water and Sanitation Initiative from AusAID Canberra. This Program will support the GoTL to coordinate and support the work of all NGOs in Timor-Leste.

In terms of other donor linkages, Australia is by far the biggest donor in the sector. USAID is the next largest donor which commenced its program in early 2009 (US\$16 million over 4 years) to support rural access to water supply through funding NGO activities in two districts. The ADB and JICA are the main donors to the urban water sectors.⁶² Norway is also providing limited technical assistance for the development of a new water resources law. Donor coordination is not a major concern in this sector. However, Australia will encourage joint policy engagement with other donors, and will, through example, encourage delivery approaches that accord with aid effectiveness principles, including alignment and ownership. Australia will also continue to assist MoI and MoH to lead coordination of NGOs and donors in the WASH sector.

8. Risks

Risks discussed below are contextual factors external to the Program that may impact on its success and should inform whether or not to proceed to design stage. Mitigation measures are also outlined.

Elections

⁶¹ A Fiduciary Risk Assessment is planned for the design phase, and will draw on recommendations of an analysis of PFM bottlenecks in the WASH sector that informed this concept note.

⁶² ADB is supporting urban WASH in Dili, Macassar and Manatutu, and JICA is supporting urban WASH in Aileu.

Elections are scheduled for mid-2012, roughly coinciding with this Program's commencement. There is a low risk that elections may trigger instability. A greater risk is that any change in political leadership threatens ownership of this Program. Through the design, AusAID will continue to invest in strong ownership at bureaucratic levels, including senior management, where there is little likelihood of turnover. We will work with them to manage political buy-in to the Program in the event of a change of political leadership.

Emerging Decentralisation and Rural Development policies

Decentralisation and the emergence of alternative delivery approaches to rural development may create uncertainty and push district or municipal government beyond its capacity. In the short-term, we will continue to monitor progress in policy development. In the medium term, we will engage government, understand in advance any proposed changes and provide feedback on the consequences of proposed changes; as well as continue to build the capacity of district government.

Human Resource Capacity

Timor-Leste's foundational human resource capacity poses various challenges. Stabilizing a fragile, post-conflict state can take twenty to thirty years,⁶³ and Timor-Leste is only part way into the process. For various historical reasons, Timorese face constraints in levels of basic literacy and numeracy, the effectiveness of the education system, low social cohesion and high personal trauma. These all influence the way capabilities emerge at the individual level. Many Timorese have not had the benefit of positive professional or organizational experience. As a result, many do not yet have the basic skills and aptitudes to absorb complex skills and knowledge and to manage modern institutions. Timor-Leste thus faces the combined challenge of shortages of staff as well as a lack of absorptive capacity in those staff that are available for work. The Program will recognise both factors and the *Capacity Development* section above outlines how it will address these issues.

9. Design Process: Next Steps

In line with the commitment to enhanced ownership and partnership, this design process is taking a less traditional approach. Rather than engaging consultants to suggest the scope of the Program, Australia and Timor-Leste counterparts will agree on the design through a series of structured discussions and workshops. External program logic and RWASH experts will help facilitate some of these discussions to ensure they are comprehensive.

As discussed above, this Program stresses a clear link between program logic and analysis (evaluations, research, and stakeholder consultation), and a partnership based approach. This means making decisions about relative focus within the Program *with* GoTL based on available existing evidence, and jointly commissioning additional analysis where required. This takes time, which is why the end of program outcomes in this concept are still broad. GoA and GoTL will jointly tighten their scope through the design phase based on analysis of a) which factors within each outcome are likely to have the biggest impact on the higher order goals of improved access and behaviour change; and b) which factors this Program is best placed to influence (taking into account Australia's role, feasibility, political economy factors etc). This will flow on to specification of key Program interventions, including their expected quality and reach. In newer areas of engagement for the Program, such as support to the implementation of decentralisation policy in the WASH sector, more learning, analysis and dialogue is needed before outcomes can be tightly defined, and key interventions identified. This analytical work will need to continue into implementation, so that interventions can become more focussed over time.

A final design document is expected by September 2011, for mobilisation in July 2012.

⁶³ The World Bank, World Development Report 2011: Conflict Security and Development