



Annual program performance report 2009: Timor

Contents

Introduction	2
Timor-Leste context	2
Results of the Timor-Leste program	3
Sector: Health	3
Sector: Education	4
Sector: Rural water supply and sanitation	4
Sector: Infrastructure	5
Sector: Food security	5
Sector: Public sector governance	6
Sector: Public financial management	6
Sector: Political governance	7
Sector: Community safety	7
Sector: Policing capacity	7
Agreed actions	8



Introduction

This report summarises the bilateral aid program's progress in 2009 towards the objectives of the Timor-Leste Country Strategy. Reports on the program's performance in previous years are available on the Australian Agency for International Development's (AusAID's) website.

Timor-Leste context

Longer-term priorities clarified

During the year, Australia and Timor-Leste conducted extensive consultations before formally agreeing to the *Australia – Timor-Leste Country Strategy 2009–2014* in December. In line with the findings of AusAID's 2008 Annual Program Performance Report, Australian assistance will reduce in breadth to focus on the sectors of most urgent need: health, education, employment, infrastructure, agricultural productivity, government accountability and safety. This will allow Australia to achieve better results and be more influential in policy engagement and donor coordination. Australia began formulating detailed delivery strategies for all sectors in 2009, beginning with health and infrastructure.

Global financial crisis weathered and stability maintained

From 2000 to 2007, poverty in Timor-Leste increased, reflecting the destruction of economic and social infrastructure in 1999, the recurring insecurity and political crises culminating in the events of 2006–07, and the impacts of the global food crisis.

Against this backdrop, 2009 was a good year for Timor-Leste in terms of economy and stability. Despite the global economic crisis, the country experienced growth of more than 10%. While lower oil and gas prices reduced petroleum revenues, the non-oil economy grew at 7.5% driven largely by a doubling of government spending from 2007 as well as by (modest) increases in private investment. 2009 was designated the 'Year of Infrastructure' in Timor-Leste with a boost in capital and development spending.

A number of new institutions were created during the year (such as the Civil Service Commission and the Anti-Corruption Commission) and the civil service grew by 40% (making up 9% of the total labour force). The public service wage bill grew by 60% over the previous year.

The government continued to provide cash grants to veterans, old age pensioners and widows. These cash injections were credited not only with supporting consumption, but with helping to keep peace. A stronger police force led to authority for policing being handed back from the United Nations Police in four of 13 districts in 2009. Suco elections were held peacefully across the country in October.

Scrutiny from the opposition and civil society increased, with legislation and government performance debated in Parliament and the media. Throughout the year there was heavy media coverage of allegations of corruption on the part of government ministers and leaders, and though the government established a range of institutions responsible for addressing corruption, no high profile cases were brought to trial.

While trends in poverty reduction are unclear due to unreliable data, it is likely that there is a growing disparity in wealth: a new urban middle class is forming, while those living in regions continue to be very poor. However, there is some evidence that the country's sustained period of growth and stability is starting to have some positive impact on the lives of ordinary Timorese. In particular, some progress was reported in maternal and child health, nutrition,



education and water and sanitation, although rapid population growth puts continued progress at risk. There are also signs that the private economy is picking up but it is too early to tell if this will be sustained or if it represents a temporary response to the increase in government spending.

Despite impressive growth figures, Timor-Leste is still a post-conflict, fragile state. While continuing stability is not assured, cautious optimism is warranted.

Changing relationship with donors

With more than US\$5 billion of its own money in the Petroleum Fund at the end of 2009, the government began suggesting that the international aid community was not adding sufficient value to state building—in part because the donor community is crowded and its diverse range of interests and agendas poorly-coordinated. However most donors are willing to align their activities with government priorities, and would value clearer direction, such as a medium to long-term strategy and expenditure plan, to support this aim. The Government's decision to develop the Strategic Development Plan is therefore promising.

Results of the Timor-Leste program

Sector: Health

Timor-Leste has extremely high rates of maternal and child mortality. Australia supports health services through a World Bank-administered trust fund that aims to strengthen the Ministry of Health's service delivery capacity, a program of support to the national hospital, and funding for non-government organisations (NGOs) in the areas of maternal and child health, sexual and reproductive health (including family planning), hygiene and sanitation.

Donor support to the health sector in Timor-Leste is fragmented, with the Ministry of Health maintaining more than 40 separate aid activities. The World Bank-supervised Health Sector Strategic Plan Support Project (HSSP–SP) was dogged by low rates of disbursement and concerns about the coherence of expenditure. In addition, the Ministry of Health's Health Sector Strategic Plan, to which the HSSP–SP is aligned, was developed under the previous government and omits a key project, the village outreach program (SISCa).

HSSP–SP's direct funding to support implementation of SISCa (71% of the total SISCa budget) brought health services closer to the people. SISCa is proving to be a promising model for basic community outreach and health education. The proportion of births attended by skilled health personnel increased by a third between 2008 and 2009.¹ The percentage of children under 1 year of age vaccinated against measles also increased, by 17% from 2006 to 2009.² Foundations were laid for future improvements, through enhancing the qualifications of the total cohort of midwives, providing 97 scholarships in areas of key need (including surgery and ophthalmology) and through in-service training of 21 nurse anaesthetists and three trainee surgeons.

Family planning services provided by NGOs expanded to three districts outside of Dili. In 2009 sexual and reproductive health clinical services were provided to almost 10,000

¹ Ministry of Health, Demographic and Health Survey 2009–2010.

² Ministry of Health, Demographic and Health Survey 2009–2010.



people, with 40% of these for family planning. This has been calculated as helping to avert around 130 infant deaths and 170 under-5 deaths.

Sector: Education

Net enrolment in primary education in Timor-Leste is only 83% and further pressure is being placed upon the school system given rapid population growth. At present around half of the children who enrol in school drop out early, and by grade 3 a significant number cannot read. Many teachers lack formal qualifications and fluency in Portuguese, the official language of instruction at the basic education level. Australia supports education through a World Bank-administered Education Sector Support Project (ESSP) and separate vocational education programs undertaken with the International Labour Organization and the South Australian Government.

Due to weak monitoring and significant changes to ESSP's scope, tracking its outputs is sometimes easier than tracking outcomes, and it is difficult to link all of our current funding to ESSP's objectives. In 2009, 110 schools were designed and built by the Infrastructure Facilitation Unit with funding from the Government of Timor-Leste budget. The unit had received advisory support from ESSP over an extended period, but it has now undergone a successful transition to Timorese management. Good-quality learning materials were developed and distributed to every school in the country. ESSP also supported the drafting of a National Education Strategic Plan (2010–15).

Australia supported the establishment of a competency-based technical and vocational education and training system through the development of the National Labour Force Development Institute. The first institute's industry sub-commissions have been established linking industry needs with vocational training courses. In 2009, 105 youths completed basic training in building and construction skills through the AusAID-funded, Timor-Leste Basic Skills Training Project. All higher education institutions in Timor-Leste were reviewed for accreditation. Twenty Australian Development Scholarships and three Australian Leadership Awards were awarded to East Timorese, and two students (both women) were granted Honours years.

Sector: Rural water supply and sanitation

Access to clean water supplies in rural communities is low, but increasing. Australia's Rural Water Supply and Sanitation Program builds the capacity of all actors in the sector to plan, implement and manage rural water, sanitation and hygiene activities. Despite its complexity, steady progress was made during 2009 towards this long-term objective.

Australian support to planning and budgeting in the Ministry of Infrastructure was matched by increased government financial commitment to rural water supply and sanitation, from US\$1 million in 2009 to US\$5.5 million for rural water supply (and US\$200 000 for sanitation) in 2010. Water was identified by the Government as a key national priority for 2010. This represents a significant shift in government commitment to water and sanitation in improved community outcomes.

Working with government, communities, NGOs and other donors, RWSSP delivered an impressive number of outputs (new water systems, system designs, training, hygiene promotion, supervision and monitoring) benefiting tens of thousands of people. Government concern over the program's greater emphasis on capacity building over hardware will be partly met through the additional injection of \$12 million between 2009 and 2011, which will primarily construct more water supply and sanitation systems and increase hygiene education.



Sector: Infrastructure

Infrastructure is a critical problem in Timor-Leste, where the quality of roads, access to electricity and state of public buildings have all declined since Indonesian times as a result of deliberate destruction or lack of maintenance. The government has identified infrastructure as a key to development, and in 2009 continued to direct increased resources into the sector. Australian support is delivered primarily through an Asian Development Bank-managed program of technical assistance to the Ministry of Infrastructure, which builds capacity in procurement and project management. Australia also supports public works through the Youth Employment Promotion Program implemented by the International Labour Organisation and the Secretariat of State for Vocational Training and Employment.

The Asian Development Bank program struggled to achieve traction during 2009. Budget execution improved, but a key factor was the government's release of US\$70 million for small-scale infrastructure projects to local contractors (the 'Referendum Package'), which was undertaken without tendering. A 2009 review of the Asian Development Bank program resulted in a shift in emphasis and introduction of a scholarship and training program that should improve the capacity in the Ministry of Infrastructure over the longer term. The Youth Employment Promotion Program, on the other hand, performed strongly, despite a shortfall in the government's co-contribution, with 683 km of rural roads rehabilitated and 146 484 days of short-term employment created for more than 3000 people.

Sector: Food security

Food security is yet to be achieved in Timor-Leste. Rural households do not have sufficient rice or maize to eat for about four months each year, and about 50% of the total population do not have even one month with high food consumption.³ Australia's support aims to increase the capacity of the Ministry of Agriculture and Fisheries (MAF) to evaluate, release and manage the rollout of improved varieties of food crops and prevent and respond to livestock infectious diseases. In 2009, better than expected results were achieved in distributing new seed varieties. Adequate progress was made with infectious disease prevention.

As a result of Australian support, nine improved food crop varieties have been released and distributed to around 12 000 farmers. Yield increases of between 23% and 80% were recorded.⁴ Farmers are re-planting these varieties and selling or exchanging crop surpluses to meet household and education needs. During the year MAF staff and NGOs were trained in agronomy, seed production, statistics and the English language (to give access to international literature). The program attempts to reduce gender inequality, such as by involving women farmers in seed trials and ensuring female MAF staff can access training opportunities.

A veterinary laboratory was established for diagnosis of animal diseases to facilitate rapid outbreak assessment and response. Public awareness campaigns were undertaken and information, education and communication materials produced. Disease surveillance systems were established and piloted in three districts. A vaccination campaign included 670 000 doses of Newcastle disease and 340 000 doses of swine flu vaccinations.⁵ Training and

³ World Bank Draft Policy Paper, 'A new Strategy for Food and Cash Crop Production in Timor-Leste (2010)', Timor-Leste Sustainable Livelihoods Survey 2007.

⁴ Seeds of Life Technical Advisory Group Report, August 2009, page 4.

⁵ Food and Agriculture Organization Biosecurity Strengthening Project Report, July–December 2009.



capacity building of MAF staff was provided. Animal health legislation was drafted and joint Australian and Timorese research projects undertaken.

Sector: Public sector governance

Timor-Leste's public service is barely a decade old. Only 60% of public servants have completed secondary education and only 7% hold a bachelor's degree or higher. Even the small number who worked in the public sector before Independence in 2002 were denied entry to senior management positions (these were reserved exclusively for Indonesians). Against this background, the growth of national institutions and their functionality is remarkable, but support is still required at every level, from the most basic systems and processes to the highest policy development.

Australia is the lead donor to the public sector reform agenda through the Public Sector Capacity Development Program (PSCDP). This program was originally established to support the central institutions of state, but an 'Additional Initiatives' component was added to enable AusAID to respond flexibly to ministerial requests for assistance for corporate governance. Throughout 2009 considerable effort was put into restoring the original focus of the program, and pruning back the Additional Initiatives component which had been used to provide ad hoc support to ministries, scattering the program's resources, clouding its focus and diluting its effectiveness.

Australia has contributed material support to three identified Government of Timor-Leste priorities: establishing a Civil Service Commission, an Anti-Corruption Commission and strengthening the independence of the Office of the Inspector-General. The range of other outputs delivered included the production of a good-quality national infrastructure plan and a policy for those with disability.

PSCDP's support to the National Institute for Public Administration in 2009 included developing and piloting eight training modules for a senior management course while more than 250 civil servants attended an earlier-developed administrative assistant course, delivered, with limited oversight, by national staff trained by PSCDP advisers.

Sector: Public financial management

Public financial management presented a mixed picture through 2009. Australia supports public financial management reform through the World Bank-administered Public Financial Management and Capacity Building Program (PFMCBP). The program helped the government prepare and submit its 2010 Budget, linking it to a newly developed macroeconomic framework, which will better enable long-term planning and fiscal sustainability. Government expenditure has doubled since 2007, and budget execution rates have risen from around 50% in 2007 to 80% in 2009, helping drive economic growth (estimated at more than 10%) and resulting in expanded delivery of basic public services. Moreover, the PFMCBP assisted with the government's reform efforts in taxation (contributing to Timor-Leste's advance in the World Bank's 'Doing Business Survey') and the introduction of an Expenditure Review Unit in the Ministry of Finance. A major restructure of the Ministry of Finance was carried out in 2009 and a Professional Development Unit, providing training and scholarships, was established.

However, while public financial management goes beyond the Ministry of Finance, the PFMCBP does not. Australia encouraged the World Bank to coordinate public financial management reforms with its other programs in health and education.



Sector: Political governance

Timor-Leste's emerging democratic culture is demonstrated through the lively political debate in Parliament and in the media, as well as through the country's critical and curious civil society. Australia funded improvements to political governance through United Nations Development Programme support to Parliament and the Technical Secretariat for Administration of Elections (STAE). Specifically, Australian aid contributed to the development of the Parliament's five-year strategic plan and revised standing orders. Australia also helped to build the capacity of Parliament's nine committees, by providing advisers who became part of the Parliament's staff complement in October 2009. Parliament's Gender Resource Centre was active in supporting female members of parliament and contributing to gender-sensitive legislation (such as the preparation of domestic violence laws). With United Nations Development Programme and the Australian Electoral Commission, AusAID helped STAE conduct successful elections in all 432 sucos during the year, and developed a five-year plan to guide STAE's operations and capacity development. Australia also funded training and facilities to foster an independent media through the International Centre for Journalism.

Sector: Community safety

Timor-Leste is vulnerable to natural disasters and civil unrest. Australia is the leading bilateral donor supporting the government's efforts to address the country's ongoing humanitarian needs and help it to prepare for future emergencies. Despite warnings that resettling the 150 000 people displaced during the 2006 domestic crisis would take a decade, the government had closed 54 internally displaced persons camps by July 2009. Australian support for discussion and mediation processes helped around 11 000 Timorese resolve tensions in their communities and enabled 300 families to return home.⁶ We continue to support national district and suco emergency planning and response capacities and have strengthened logistics and administrative systems in the National Disaster Management Directorate.

Violence against women is endemic in Timor-Leste. In July, a new grant-fund mechanism, *Serbisu ba Justic'*, was established under Australia's bilateral Justice Sector Support Facility to enable civil society to improve community-based access to justice, with a focus on reducing violence against women and girls in rural areas. Australian funding of around \$750 000 has now been disbursed to enable 13 NGOs to provide these services from 2010.

Australia also played a critical role in the development of the government's inaugural Justice Sector Strategic Plan; provided critical support for the formulation and execution of the budget in the Ministry of Justice; and supported restructure and institutional planning processes in the Office of the Prosecutor-General.

Sector: Policing capacity

The Australian Federal Police, through the Timor-Leste Police Development Program, has helped the *Policia Nacional de Timor-Leste* (PNTL) build the foundations of a more effective and accountable police service. Although the PNTL is a more robust institution now than it was in 2006, it remains important to continue building a strong esprit de corps and a shared set of common values among police officers. The PNTL is legally committed to a community-based model of policing but current arrangements often seem more paramilitary in approach.

⁶ United Nations Development Programme, Timor-Leste 2009 Annual Report.



Strengthening discipline, accountability and management in the PNTL remains a priority, and will take considerable time and continued attention.

In 2009, Australia provided training to PNTL officers across a wide range of functional areas including leadership development, project management, investigations, criminal intelligence, computer-based training and criminal procedure code. PNTL members have since taken ownership of strategies and methodologies previously unfamiliar to them.

The PNTL has reassumed primary policing responsibility from the United Nations Police in four districts and three units, with the expectation that the majority of the remaining nine districts and 10 units will be completed by the end of 2010. The security situation remains calm in the transferred districts.

A new merit-based promotions system has been developed and implemented. Australia participated with Portugal, New Zealand, Singapore and Timorese government representatives in selecting officers to staff the new ranks. New laws have been passed to delimit the relationship between the PNTL and the *Falintil-Forças de Defesa de Timor Leste* (the Army of Timor-Leste), and a National Security Policy setting out security challenges and responses is now awaiting approval from the Council of Ministers and Parliament.

Agreed actions

AusAID and the Government of Timor-Leste will develop options for engaging on policy and program management issues.

AusAID will work with the government and World Bank to review and, if necessary, redesign the HSSP–SP to ensure it meets the needs of the Ministry of Health, particularly in improving maternal and child health outcomes. We will also work closely with the European Union to encourage joint investment in the health sector and explore options for supporting family planning through NGOs and UN agencies.

AusAID will review its support for education to ensure that appropriate levels and types of assistance will be provided to the sector in future.

AusAID will review existing support for capacity building in the Ministry of Infrastructure to ensure it is effective and well-targeted, and will negotiate an expansion of the Tim-Works program (into Tim-Roads) with the International Labour Organisation.

Australia will ensure that the MAF is closely involved in the design and future management of the Seeds of Life 3 program, which aims to improve food security in East Timor through increased productivity of food crops.

AusAID will consult with key central government institutions in the continuing reform of the PSCDP and ensure that inputs centre on improving government institutions, systems and processes.

AusAID will continue to support public financial management reform but will look at better ways to deliver its support.

AusAID will, in consultation with the Government of Timor-Leste, reduce the use of technical assistance across the aid program.



Progress against the management consequences identified in the 2008 Annual Program Performance Report

Objectives	Progress	Explanation
Establish and institutionalise a new country strategy in partnership with the Government of Timor-Leste		Achieved
Identify (as part of developing the country strategy) the areas in which the program may scale back or terminate activities		The delivery strategies should play a role in this
Reduce the number of initiatives		Initiatives reduced by 22%, from 35 to 27)
Clarify management responsibilities between Canberra and Dili-based staff		Working levels are now effectively aligned with clear roles and responsibilities identified. Management roles clear
Review the quality and practice of program policy discussion, including through technical assistance		Improved efforts in dialogue with major stakeholders
Strengthen deep knowledge of key-sector and cross-sector areas		Some gender and macro-economic analysis undertaken; conflict and affordability of governance analysis postponed
Strengthen understanding of how capacity building can work in Timor-Leste		Reorientation of major capacity development programs to increase emphasis on non-technical assistance approaches; review to follow
Strengthen policy dialogue capacity		Policy dialogue strategy developed
Improve management of principal partnerships		Partnership strategy developed
Strengthen performance orientation		Review of performance orientation undertaken and staff capacity building training implemented
Plan to strengthen public relations		Public diplomacy plan introduced and implementation underway

Evaluations and reviews planned over the next 12 months

Planned evaluations	Timeframe
Mid-term evaluation of Australia Timor-Leste Program of Assistance for Specialised Services	February 2010
Mid-term evaluation of the Youth Employment Promotion Program	March 2010
Office of Development Effectiveness (AusAID) strategic evaluation of rural development	March 2010
Mid-term evaluation of the Rural Water Supply and Sanitation Program	April 2010
Mid-term evaluation of Asian Development Bank Infrastructure Technical Assistance	May 2010
Mid-term evaluation of the Public Financial Management Capacity Development Program	June 2010
Mid-term evaluation of the Health Sector Strategic Plan – Support Program	July 2010
Mid-term evaluation of the Education Sector Support Program	August 2010
Internal review of Public Sector Capacity Development Program	September 2010