



Australian Government
AusAID

Annual program performance report for East Timor 2007–08

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Contents

SUMMARY	4
COUNTRY PERFORMANCE	11
WHAT ARE THE RESULTS OF THE EAST TIMOR AID PROGRAM?	14
Objective 1: Improve security and the rule of law	14
Objective 2: Strengthen democratic institutions and community engagement	18
Objective 3: Reduce vulnerability to disasters and transnational threats	20
Objective 4: Better public sector management and budget execution	22
Objective 5: Increase economic opportunities and rural livelihoods	26
Objective 6: Improve access to health services and rural water and sanitation	28
Objective 7: Strengthen work skills, educational attainment and leadership of Timorese	29
WHAT IS THE QUALITY OF AUSAID ACTIVITIES IN EAST TIMOR?	32
Monitoring and evaluation	33
Capacity development and technical assistance	33
Partnerships	34
Sustainability	35
Use of government systems and risk	35
APPENDIX: PRIORITY AREAS OF THE NEW CONSTITUTIONAL GOVERNMENT	36

Summary






East Timor's development faces serious challenges. The attacks on the democratically elected leaders in February 2008 underscore the fragility of East Timor's new democracy. While the perpetrators were apprehended and the situation remained calm, the security and justice sectors remain weak and in need of reform. The country continues to rely on international security forces to maintain stability. Across the country, a large number of people remain displaced and vulnerable to natural disasters, disease and food shortages. Many camps for internally displaced people have now closed and the government has made good progress in helping people to return to their homes, but these efforts have been hampered by disputes over property ownership. The rapidly growing population continues to put pressure on the government to improve the provision of basic social services. Poverty and high levels of unemployment remain widespread. Frequent episodes of unrest have diverted attention away from a much needed focus on improving government service delivery and creating employment opportunities. Against this backdrop, development progress in East Timor remains constrained.



Despite these challenges, there have been some achievements. Relatively peaceful presidential and parliamentary elections were held in 2007. The new government has articulated its development priorities and commenced an ambitious reform program. Over time there have been modest improvements in the capacity and scale of public services being delivered, including improvements in budget execution rates, although progress has been muted by very low levels of public sector capacity. In terms of social indicators, since 2001 advances have been made in access to critical services and facilities such as schools, health clinics, electricity, water, roads and essential goods. Health and education services in particular have expanded both in the number and range of services. Programs to improve flood control, water and sanitation, infrastructure and the expansion of electrical services are under way. Commercial areas are bustling and, in some areas of Dili, government-funded projects are restoring infrastructure and providing local employment opportunities.

MAJOR RESULTS

The major results of the East Timor aid program are reported at country and program level. The outcomes are reported against the objectives of the draft Australia – East Timor country strategy, which has been approved in principle by the Government of East Timor. AusAID is reviewing the strategy in the light of the new Australian Government's aid priorities and particular sectoral interests in East Timor.

RATINGS OF THE EAST TIMOR PROGRAM USING THE OBJECTIVES FROM THE DRAFT COUNTRY STRATEGY

Objective	Rating
Improve security and the rule of law	 (red)
Strengthen democratic institutions and community engagement	 (amber)
Reduce vulnerability to disasters and transnational threats	 (amber)
Better public sector management and budget execution	 (amber)
Increase economic opportunities and rural livelihoods	 (amber)
Improve access to health services and rural water and sanitation	 (amber)
Strengthen work skills, educational attainment and leadership of Timorese	 (amber)

Note:  denotes the objective will be partly achieved within the timeframe.  denotes the objective is unlikely to be achieved within the timeframe.

Australia is working in a new and fragile country, where democracy, government systems and services are being built from scratch. In that environment, long-term engagement is required and progress at times can stall or even slide backwards. This is typical of fragile states and a key consideration in assessing results.

A feature of the 2007–08 reporting period is the significant work undertaken in program scoping, design and contracting, either bilaterally or in conjunction with other major donors such as the World Bank, the Asian Development Bank, the International Labour Organization and agencies of the United Nations. Up to 10 new or expanded initiatives are being mobilised or implemented in 2008, representing a significant proportion of Australia's official development assistance 2008–09 to 2011–12.

DEMOCRACY, SECURITY AND JUSTICE

Voter participation in the 2007 parliamentary and presidential elections was high, and both elections were assessed as being free and fair by the UN certification team.

The new government produced the 2008 National Priorities Program, as well as its first calendar-year budget. Addressing security and the situations of displaced people were identified as the highest priorities for 2008.

The National Parliament worked reasonably effectively, with strong debates on most issues and good coverage of proceedings by local television and radio. This represented a substantial achievement, particularly given that around three-quarters of the parliamentarians were new to their jobs. Donor support, including Australian support, was instrumental in helping the parliament and commissions to improve their operations.

The perpetrators of the 2008 attacks on the leaders were apprehended, and the ex-soldiers in the petitioners group, whose concerns sparked civil unrest in April 2006, were able to negotiate with the government to resolve their concerns.

The government's Transitional Strategy for Recovery to get the displaced people to leave the camps progressed, with many families registering for assistance and a number of camps closing. While sustainability is an issue, the closure of these camps was a very positive signal to the community.

In the justice sector, a legal training centre was established and trained 37 judges, prosecutors and public defenders. This was achieved through the United Nations Development Programme's Justice Sector Strengthening Project which receives substantial support from Australia. The return of Timorese court actors represented an important milestone in the development of the justice sector, and there is evidence that national magistrates are displaying increased confidence by processing a significant number of cases. Oversight of prosecutions was improved, with the Superior Council of Prosecution now fully functional. Australian-funded assistance to corrections significantly improved the Bekora gaol.

The United Nations, through the United Nations Integrated Mission in Timor-Leste, is primarily responsible for policing, under agreement with the Government of East Timor. Mentoring of police by the UN police was less successful than expected and the shape of future support will be reviewed when the Joint Command is disbanded. The Joint Command integrates the East Timorese police force and military for security operations. It was created by the government after the assassination attempts of 11 February 2008. There were modest improvements in police administration, particularly in financial management, planning and budgeting, supported by Australia. However, the Australian aid program's overall goal of working with the government and other partners to build the foundations of a more effective and accountable police service for the people of East Timor will take a very long time to be achieved.

A range of new Australian-funded initiatives, including support for anticorruption measures, leadership in communications, media and civil society, were recently commenced.

ECONOMIC DEVELOPMENT AND MANAGEMENT

With considerable support from Australia, the new government successfully delivered a transitional budget and its 2008 budget on time, despite very tight timeframes. The budget was assessed as being closely aligned with the government's program and fiscally responsible, with expenditure targets within sustainable income levels for the Petroleum Fund.

Budget execution rates of the transitional budget were higher than normal, due to hands-on supervision by Australian advisers. However, low rates of budget execution continue to pose a major challenge. By May 2008 the government had executed only one per cent

of the 2008 capital budget, though execution rates have since improved. Australia's contribution to a major infrastructure project management program managed by the Asian Development Bank should assist the government to improve capital expenditure over time.

The work during the transitional budget set the groundwork for significant reform of the procurement system under the new multi-donor Public Financial Management Capacity Building Program.

The Minister for Finance commenced a process through the Public Financial Management Capacity Building Program and the final stages of Australia's bilateral Ministry of Finance and Planning Capacity Building Program to introduce major reforms to the ministry to help it focus more on its clients (such as other ministries) and to develop the capacity of its staff.

Several achievements were realised in strengthening the civil service. The government introduced various reforms into all agencies, requiring revisions to laws, the benefits of which will be realised over time. The new Prime Minister announced in May 2008 that the government will establish an independent Civil Service Commission, an Anticorruption Commission and an Auditor General, intended to strengthen oversight and accountability of the civil service. AusAID, through its Public Sector Capacity Development Program, and the former Premier of Victoria, Steve Bracks, are collaborating to support the Prime Minister's initiatives.

Rising world food prices, particularly for rice, put food supplies to East Timor at risk. Stabilising food security and increasing local productivity therefore continue to be major concerns. Government intervention in the market to subsidise rice after the February 2007 rice crisis affected the commercial sector, which used to provide 80 per cent of East Timor's rice needs.

Australia is supporting programs to meet immediate food needs as well as to improve East Timor's long-term agricultural capacity. Significant progress has been made in improving food crop varieties through the Australian-funded program Seeds of Life implemented by the Australian Centre for International Agricultural Research. The program is now working with almost 1200 farming families—twice the original target. Crop yields of the target groups have increased as much as threefold as a result of farmers using improved seed stocks and crop management techniques. There is also evidence that the capacity of the Ministry of Agriculture and Fisheries to manage research and to replicate and disseminate seed stock has increased.

Employment, particularly for the large population of youths, is a major concern. The government has committed to working with the World Bank, the United Nations and donors to develop a public employment program and to improve the environment for private sector growth to generate jobs. Australia is supporting this initiative with a new \$24 million, four-year program for youth employment, education and skills development. One component, led by the International Labour Organization, has already been

mobilised and is providing employment and career counselling services as well as job matching. The \$7.7 million component will assist up to 70 000 youths in 13 districts, as well as develop youth employment policy and build a competency-based vocational education system.

BETTER SERVICES FOR BETTER LIVES

A recent survey of living standards indicates that since 2001 advances have been made in access to critical services and facilities such as schools, clinics, electricity, water, roads and essential goods. The number and range of health and education services have expanded.

Twelve Australian development scholarships were awarded in 2007–08, 50 per cent more than in the previous year. Since 2000, a total of 144 Australian-funded scholarships have been awarded. More than two-thirds of the scholars have completed their studies and returned to East Timor. Many have taken up high-level positions in government and several are now government ministers.

After an intense period of designing and scaling up the aid program to East Timor, several high-priority Australian-funded initiatives to improve service delivery were mobilised in 2007–08. These included:

- > Rural Water Supply and Sanitation Program—\$28.5 million over five years to improve health outcomes by significantly increasing access to clean water and sanitation, and improving hygiene practices
- > Health Sector Support Program—approximately \$23 million over four years to support implementation of the Government of East Timor’s National Health Plan.
- > Technical and Vocational Program—\$24 million over four years to improve job skills and employment prospects, particularly for Timorese youth, with delivery partners including the World Bank and the International Labour Organization
- > Infrastructure Project Management Program managed by the Asian Development Bank—\$16 million over four years to improve government service delivery by assisting the Ministry of Infrastructure to deliver infrastructure programs and improve procurement.

Together, these initiatives aim to significantly improve access to basic social services in East Timor.

MAJOR CHALLENGES

Given East Timor’s status as a nascent democracy, and its violent history, poverty and low human capacity, there are significant challenges to it achieving long-term development, and at times progress will stall, be very slow or regress. Major challenges that will affect the Australian aid program in 2008–09 include:

- > **Low capacity**

Indonesia's departure from East Timor left a major void in management and technocratic capacity. Few East Timorese had experience in government and, even with considerable support from the United Nations and donors, significant capacity constraints remain. There is a need to review approaches to capacity building to ensure that the educational and skills gaps of counterparts are dealt with to allow them to benefit from advisory support.

> **Poor budget execution**

The Government of East Timor has revenue but it lacks the capacity to effectively plan, budget and manage its capital expenditure, and thus deliver services. The sudden boost in oil revenues exacerbated the difficulties of improving budget execution rates. This situation is slowly improving with support from large multilateral programs, funded by Australia and other donors.

> **High public expectations**

There is considerable pressure on the new government to meet promises made during the election process and the formation of the coalition, and to show real results in service delivery. This is creating unrealistic timeframes and targets for improved government performance and service delivery, and decentralisation of responsibility, which will impact on donor programs.

> **Ongoing instability**

Instability has continued to plague East Timor's new democracy, with attacks on the democratically elected leaders underlining the fragile security situation. While there was some improvement in the security situation in the later part of 2007–08, the underlying issues are not necessarily resolved. The country relies on international security forces to maintain stability—a situation that is likely to continue for the foreseeable future. In response to ongoing security concerns, the United Nations has extended its mission for a further 12 months. The continued state of unrest has had the effect of diverting attention away from a much needed focus on improving government service delivery and creating employment opportunities.

> **Security sector reform**

After the February 2008 attacks, the Joint Command of the national army and police worked well together, although not without some reports of human rights violations. Cooperation between the army and police led to the eventual apprehension of the perpetrators, and contributed to better relations between the two forces, which had been badly fractured and politicised in the civil unrest of 2006. However, the very success of this arrangement—involving the army in internal security—highlights the urgent need for security sector reform, which is moving very slowly under the mandate of the United Nations Integrated Mission in Timor-Leste.

> **Legal sector reform**

Legal sector reform, an essential corollary of security sector reform, is also proceeding slowly. Despite the recent return of national court actors, the justice sector remains

weak and is still heavily dependent on international court actors. There is a lack of transparency in political control as well as parliamentary and judicial oversight of the police. Coordination and operational links between the police and the prosecution service also remain weak.

> **Internally displaced persons**

The government's National Recovery Strategy has underpinned progress in closing Dili-based camps for displaced people and helped to promote resettlement in the community or transitional housing. The sustainability of the effort will be a major challenge in 2008–09. The absence of land legislation is also constraining progress, with disputes over landownership limiting the return of many displaced people.

> **Food security**

Nature and underdeveloped markets have contributed to the setbacks facing East Timor. Farmers in the districts have had to contend with flooding, drought, crop failure and locust plagues, which have in turn affected food security and rural livelihoods. In addition to internal problems, East Timor, which is highly dependent on imported food, particularly rice, is also feeling the effects of rapidly rising international food prices.

> **A crowded donor environment**

Relationships between donors are good and there are increasing efforts to harmonise approaches to development assistance, but there is still a long way to go. Coordination at operational levels is not always effective. Some donors are providing assistance with limited attention to longer term development outcomes.

> **Australian community support**

Various individuals and groups, state and territory governments, various local councils (friendship groups) and educational institutions (for example, universities from Victoria, New South Wales and Western Australia) have been proactive in developing their own aid programs for East Timor and providing support in their specific areas of expertise. This resulting unique environment requires AusAID to work differently and respond to the challenges of coordinating and maintaining the strategic focus of Australia's overall aid effort.

Country performance

The Government of East Timor has identified a range of development priorities (see the appendix) and is committed to addressing the problems underlying the recent security crisis. The government has also commenced an ambitious reform agenda and is in the process of developing a new National Development Plan.

In terms of East Timor's economic performance, real growth in gross domestic product in 2007 was an estimated 24 per cent. This impressive growth was driven largely by higher than expected oil revenue and, according to the International Monetary Fund, non-oil economic growth still falls short of that needed to reduce poverty. Unemployment remains unacceptably high, with some estimates putting urban unemployment as high as 50 per cent. A key challenge for the government is how best to use the country's new oil and gas wealth to lift the non-oil economy onto a higher growth path and reduce poverty. This is a major challenge because of the country's poor infrastructure, lack of human capital and historically low levels of budget execution.¹

In terms of development progress, a recent survey conducted by East Timor's National Statistics Office indicates that since 2001 there have been improvements in key social indicators, including access to health, education, water supply and sanitation services.² The latest (2007) figures indicate the following.

- > An estimated two-thirds of the population have access to water (65 per cent) compared with only around 50 per cent in 2001. Access to sanitation has increased to an estimated 49 per cent (up from 41 per cent in 2001), although these figures mask significant disparities between rural and urban areas.
- > A little over a third of the population (36 per cent) now have access to electricity compared with only around a quarter in 2001 (26 per cent).
- > There has been an increase in the proportion of the population finishing secondary school (estimated at 13 per cent in 2007, compared with 10 per cent in 2001). There has been a reduction in the proportion of the population with no formal education. It is now estimated that around half of the population has no formal education, which is an improvement over 2001 level of 58 per cent. It is important to note, however, that these figures mask significant gender differences. For example, in 2007 it was estimated that more than 60 per cent of females had no formal education, compared with 42 per cent of males.
- > Immunisation rates for common childhood illnesses appear to have improved substantially. For example, immunisation against tuberculosis is currently estimated at 74 per cent, more than double the 2001 level (32 per cent), and the polio vaccination

¹ International Monetary Fund, Article IV Consultations 2006 <<http://www.imf.org/external/np/sec/pn/2007/pn0724.htm>>.

² Interim Timor-Leste Survey of Living Standards, Directorate of National Statistics, September 2007.

rate now exceeds 70 per cent, compared with 37 per cent in 2001. Overall, almost 20 per cent of the population is estimated to be fully immunised—a very significant improvement on the 2001 level of 2.2 per cent.

While these findings are encouraging, it is not clear whether the recent security crisis eroded some of the earlier gains. Evidence from a range of credible external sources suggests that East Timor's ranking has declined in a number of key development indexes.

- > The *Human Development Report 2007/2008* of the United Nations Development Programme ranks East Timor at 150 out of 177 countries in the Human Development Index—down from 142 in the previous year.³
- > The 2007 World Bank report on governance indicates that Timor has slipped against most governance indicators, including voice and accountability, political stability and absence of violence, regulatory quality, control of corruption and the rule of law. Only government effectiveness showed some improvement.⁴ The 2007 Global Integrity Index similarly assessed East Timor as being very weak on governance with an overall score of 58.⁵
- > Transparency International shows East Timor's ranking in the Corruption Perceptions Index dropping to 123 out of 157 countries—down from 111.⁶

These findings seem to indicate that, in a stable environment East Timor was able to achieve some dramatic improvements in social indicators, albeit from a very low base, and that the maintenance of internal security should therefore remain the top priority.

Australia is the largest bilateral aid donor to East Timor, providing an estimated \$86.4 million in official development assistance in 2007–08. This is equivalent to around 30 per cent of the Government of East Timor's 2007 budget of US\$273 million.⁷ When compared with actual government expenditure Australian aid is even more significant—equivalent to over 50 per cent of the country's budget expenditure in 2007. The Australian aid budget for East Timor is estimated to increase to \$96.3 million in 2008–09.

According to figures presented in East Timor's 2008 Budget Statement, Australia is the leading bilateral donor in the areas of financial management, public sector management, infrastructure, health, and technical and vocational education.⁸ Australia is also playing a role in building the capacity of East Timor's national police force, as well as making a

³ United Nations Development Programme, *Human Development Report 2007/2008—Fighting climate change: human solidarity in a divided world*, <<http://hdr.undp.org/en/reports/global/hdr2007-2008/>>.

⁴ World Bank, *Governance matters VI: aggregate and individual governance indicators 1996–2006*, June 2007, <info.worldbank.org/governance/wgi/pdf/GovernanceMattersVII.pdf>.

⁵ The Global Integrity Index is a composite index that draws together a wide range of quantitative and qualitative data sources. It includes measures such as press freedom, elections, government accountability, civil service administration, oversight and regulations, anticorruption and the rule of law <<http://report.globalintegrity.org/Timor-Lests/2007/>>.

⁶ http://www.transparency.org/policy_research/surveys_indices/cpi/2007.

⁷ Estimate only, based on 2006–07 budget of US\$162 million plus transition budget (July–Dec 2007) of US\$111 million. The 2008 budget is US\$348 million.

⁸ Government of Timor-Leste 2008 Budget Statement <www.mof.gov.tl/en/budget/download/budget_combined/en/BP1_2008_En.pdf>.

major contribution to security through the deployment of personnel of the Australian Defence Force and Australian Federal Police to support the International Stabilisation Force and UN Police, respectively.

Other major bilateral donors to East Timor include Portugal, Sweden, Norway, the United States, Japan, China and New Zealand. Major multilateral development partners include the United Nations Development Programme (UNDP), the World Bank and the Asian Development Bank (ADB). The multiplicity of donors poses both challenges and opportunities for implementing assistance. Donor coordination was complicated by civil unrest in 2006, with the sector working groups discontinued and the Government of East Timor and donors reassessing immediate and longer term priorities for development assistance. Australia is responding to this challenge by actively building partnerships with, and in many cases working through, other major donors such as the World Bank and the United Nations.

What are the results of the East Timor aid program?

OBJECTIVE 1:

IMPROVE SECURITY AND THE RULE OF LAW

RATING



The objective is unlikely to be achieved within the timeframe.

The challenges facing the security and justice sectors are immense and unlikely to be resolved within the next four to five years. Given the low level from which the development of the security sector is starting, it will take many years of support and international assistance to develop a professional police force and a fully operational justice system that has the confidence of the community. The security sector is of such critical importance to East Timor's development that it is essential for donors to continue to support reform efforts in this area.

East Timor continues to depend on international security forces to maintain internal security. While the presence of international forces is helping to dampen civil unrest, the preconditions for further instability and violence remain. The Joint Command of the national police force and army has been quite successful in maintaining order across the country since the February 2008 assassination attempts, but the future of this structure and the much needed reform of the security sector is still uncertain. The majority of factors hampering success in the security sector are largely beyond the direct control of the international community. Some of the most pressing issues include:

- > the politicisation and polarisation of the military and police forces, coupled with a lack of strong bipartisan support for urgently needed reform of the security sector
- > the concerns of dismissed army petitioners, which have yet to be adequately resolved, although negotiations are progressing
- > the challenge of reintegrating a large number of displaced people into communities
- > the endemic levels of gender-based violence, which amounts to 40 per cent of all reported crime.

The United Nations currently has the mandate to lead policing, although with the recent success of the Joint Command the national police force is demanding increased responsibility and autonomy. The United Nations has begun to hand responsibility for security back to police (three police stations are now under the control of the national force). Australia's contribution to maintaining security is principally through the deployment of defence personnel to the International Stabilisation Force.

The challenges facing the justice sector are equally daunting and include an insufficient number of court personnel, a lack of effective oversight of institutions in the justice

sector, poor coordination between the police and prosecutors, inadequate evidence-handling procedures, and a substantial backlog of cases.

ASSESSMENT OF RESULTS AND PERFORMANCE

The main activities that supported this objective in 2007–08 were:

- > Timor-Leste Police Development Program
- > UNDP Justice Sector Strengthening Project.

Policing

Given the current context, the original objective of Australia's program in policing was overly ambitious. Australia is one of several international actors providing development support in policing. To date the focus of this support, in cooperation with the United Nations, has been primarily directed towards investigations, the development of training capacity and corporate governance. It is unrealistic to expect this support to have an impact across all areas of the national police force and lead to widespread improvement in the delivery of policing services.

Australia's support for policing through the aid program is provided under the bilateral Timor-Leste Police Development Program. The goal of the program is to contribute to maintaining a safe, stable environment in East Timor conducive to economic and social development and a sustainable reduction in poverty. The purpose is to increase the capacity of the police service in East Timor to enable it to maintain law and order effectively and professionally while fully respecting human rights. When the program commenced there was relative optimism about the security situation and stability of the national police force as a institution. However, the civil unrest in 2006, when operational policing in Dili collapsed, resulted in a significant realignment of the strategic intent of Australia's policing assistance, firstly, to respond to immediate security needs and restore basic policing services for the community and, secondly, to establish a more realistic and pragmatic approach to developing the capacity of the national police force.

Although two years have passed, the security situation remains unstable. Around 100 000 people remain displaced and sporadic violence has hampered the return of people to their homes. The national police force is yet to take on full responsibility for internal security, and still has a long way to go to become an effective and disciplined force capable of maintaining law and order with respect for human rights.

Following the crisis, the United Nations took on the lead role in policing and the mandate of the Timor-Leste Police Development Program was substantially reduced. The majority of its activities were suspended and approximately 50 Australian Federal Police officers were seconded to the UN Police under the mandate of the United Nations Integrated Mission in Timor-Leste. During 2008 the Australian Federal Police, through the Timor-Leste Police Development Program, contributed to improving security by supporting the development of policies related to reform of the security sector.

Despite this context, good progress was made over the life of the program in developing the capacity of the national police force, particularly in terms of improving administrative functions. Major achievements included:

- > improving financial management, planning and budgeting, which included the establishment of a Finance and Budget Department within the police force with strategic links to the Audit Division of the Ministry of Finance, improving financial and budgetary systems and procedures and increasing the capacity for budget planning and execution and for producing regular monthly and quarterly budget and financial reports
- > developing, disseminating and socialising the Rules of Organisation and Procedure
- > supporting the Prosecutor-General in the investigation of the February 2008 attacks on the President and Prime Minister
- > supporting the certification training of the national force in cooperation with the UN Police
- > developing a strategic framework with clear organisational structure and functions, as well as Vision 2020, which articulates the strategic policy framework for future policing
- > developing an integrated asset management system and databases for fleet management, weaponry management and people management.

While these are important achievements, the overarching objectives of the program were not achieved, principally due to:

- > progressive deterioration in the security environment, which was not anticipated when the program began in 2004
- > the ongoing nascent nature of East Timor's police capability and capacity
- > deployment of Australian Federal Police's staffing resources to meet urgent security needs following periodical outbreaks of civil unrest
- > an overly ambitious objective of the program.

The enhanced Timor-Leste Police Development Program, which the Australian Federal Police will begin in July 2008, proposes a more realistic goal of building the foundations of a more effective and accountable police service for the people of East Timor. The goal is supported by two objectives:

- > establishing a national police force that is sufficiently robust to continue operating as a legitimate entity when confronted by serious domestic crises
- > establishing a national policing capability with the governance, values and operational characteristics that support the increasingly strengthened rule of law in the emerging democracy.

Under the enhanced program, the Australian Federal Police will increase the range of targeted areas for capacity development in the longer term. In the short term Australia is playing a direct role in maintaining security, and working with other donors to support the Government of East Timor to pursue security sector reforms.

UNDP justice project

In June 2007, 27 judges, prosecutors and public defenders graduated from the Legal Training Centre and were deployed immediately in the national and district courts. The courts are currently functional and co-run by international and national legal actors. A second round of 15 trainees graduated in December 2007. The return of Timorese court actors represents a substantial milestone and should help to improve access to justice in the districts.

The prosecution backlog remains high because of the lack of qualified police investigators, inadequate procedures, and a lack of timely translation support.⁹ However, measures have been identified to reduce the prosecution backlog, including intensively training police investigators, establishing a Crime Unit at the Office of the Prosecutor General, and establishing an additional four courts (one in Dili and three in the districts). An ongoing Police Working Group on prosecution services under UN coordination is also working to enhance service delivery and decrease the backlog. A newly designed case registry and management system (CERTO) has also been implemented, which enabled all cases received during the period 2000–07 to be registered.

In the courts there is evidence that national magistrates are displaying increased confidence and are processing a greater number of cases. The Superior Council of Prosecution is now fully functional, with an international Prosecutor Inspector in place to monitor the performance of the Office of the Prosecutor General. The UNDP justice project has also assisted in following up the recommendations by the International Commission of Inquiry report; however, this additional work diverted resources from achieving the program's original outcomes. Assistance to corrections was also added to the program following the 2006 civil unrest. Early results in this area have been impressive, including improvement of security conditions in the prisons, rehabilitation of infrastructure and procurement of equipment, provision of training and on-the-job mentoring for national officers, and the relaunch of social reintegration programs.

A joint donor independent review mission concluded that the UNDP justice project contributed significantly to establishing a formal justice system, while acknowledging an, as yet, insignificant impact on access to the formal justice system by the majority of the population who have depended on traditional systems of justice.

Australia's major new bilateral activity, the Justice Sector Support Facility, has funding of \$28 million over five years. This activity was mobilised in February 2008, making it too early to report any significant results. It is focusing on improving justice oversight institutions. Australia will also fund the World Bank's initiative Justice for the Poor in East Timor for four years beginning 2008. This initiative will improve the capacity of vulnerable people to defend their interests through formal and informal justice systems.

⁹ While the latest figures on the prosecution backlog are not known, the United Nations Development Programme advises that there were still well over 800 pending cases in 2007.

ESTIMATED EXPENDITURE

Approximately 12 per cent of AusAID's 2007-08 East Timor budget was spent on the security, law and order objective. In addition, \$3.135 million was provided to the Australian Federal Police managed police development program.

OBJECTIVE 2:

STRENGTHEN DEMOCRATIC INSTITUTIONS AND COMMUNITY ENGAGEMENT

RATING

 The objective will be partly achieved within the timeframe.

This objective is likely to be only partly achieved within the timeframe of the strategy, as it will take many more years for the relatively new democratic institutions, such as the National Parliament and electoral bodies, to develop the capacity to operate without international assistance.

Reasonable progress has been made in strengthening the National Parliament; however, further assistance is needed to help ensure parliamentary functions, such as the secretariat and oversight committees, can effectively perform their mandates. Similarly, while there have been improvements in East Timor's electoral institutions and legislative framework, the presidential and parliamentary elections could not have been administered without substantial international assistance. Civil society and the media also need further strengthening to enable them to effectively contribute to democratic society and improved government accountability.

ASSESSMENT OF RESULTS AND PERFORMANCE

Initiatives that contribute to meeting this objective include:

- > UNDP Strengthening of the Parliament Project
- > UNDP Elections Assistance Project
- > East Timor Community Assistance Scheme.

There are a number of other initiatives targeted at improving leadership and communications, promoting independent media, and building the capacity of local non-government organisations.

The parliamentary and presidential elections held in 2007 were relatively peaceful. Voter participation was high, and both elections were assessed as being free and fair by the UN certification team.

Evidence suggests that the new parliament is successfully meeting its constitutional mandate.¹⁰ For example, the parliament debated and approved the agenda of the newly appointed government, as well as the recent transitional national budget.

¹⁰ The new parliament was inaugurated on 30 July 2007.

Parliamentarians also asserted their power to summon the Executive for questions on the budget and other fiscal matters. Analysis of the budget by the parliament improved as a result the establishment of a successful internship program for national economists.

A recent review of the UNDP parliament project found that there had been significant improvements in the area of oversight and legislative support and in the capacity of the Committee on Finance, Economy and Anti-corruption to scrutinise the budget deliberation process.

The outreach capacity of the parliament, as well as the ability of the media (print, television and radio) to report on parliamentary proceedings, improved as evidenced by good media coverage of public debates on election laws, the 2008 budget and other key deliberations.

A Women Parliamentarians Caucus was established and its statute defined. In addition, support was provided to conduct gender analysis of the 2008 budget.

With 47 of the 65 members of the new parliament being new to their jobs, further support is required, particularly to strengthen the parliament's secretariat, which supports the functioning of the parliament.

To strengthen community engagement, Australia supported a range of activities targeting local communities through the East Timor Community Assistance Scheme. In 2007–08 the scheme supported 22 activities and had good coverage, with activities in all 13 districts. In response to the 2006 crisis, the scheme sharpened its focus on activities that target peace building and reconciliation. Examples of successful activities include:

- > mobilising national observers to monitor national elections in 2007 and complaints
- > supporting free and fair media through a regional radio initiative that helped to improve reporting of national elections
- > supporting a range of sporting and youth initiatives to help to promote peace and reconciliation in Dili and other districts affected by civil unrest
- > providing a safe house for victims of domestic violence in Baucau.

The aid program identified other opportunities to further strengthen Australia's engagement with civil society in recognition of the important role that civil society and the media play in building a healthy democracy.

- > several new bilateral programs (for example, the Rural Water Supply and Sanitation Program and the Justice Sector Support Facility) have flexible funding to support related activities of non-government organisations.
- > a new program currently being developed will help to build the capacity of local non-government organisations with mentoring support from international non-government organisations.
- > the Leadership in Communications Program, which is helping to promote dialogue and reconciliation within different communities, has successfully attracted a diverse

range of participants, including parliamentarians, leaders of displaced persons camps, women's groups, community groups and youth. Participants have learned practical skills in communications, critical thinking, negotiation, problem solving, team building and managing, as well as other leadership skills.

- > a program to strengthen the media enabled journalists and media outlets to deliver balanced, informative and high-quality coverage of the 2007 national elections. Around 49 journalists participated in the specialised training and coverage of the election and 33 stories were produced and broadcast through radio and other media outlets. Fourteen senior journalists were trained—more than double the number originally planned—as local trainers to help support the local newsroom in dealing with story selection, reporting, editing, production techniques and rehearsal of presentation. Six media analysts were recruited and trained to research the health of the information access network and the impact of coverage in order to provide feedback to key media outlets and organisations. The program also helped to produce a new Media Law, which is in the process of being approved by the National Parliament. According to credible external sources:

the law provides for freedom of speech and of the press, and the government has generally respected these rights in practice. Individuals generally could criticise the government without reprisal [and] ... unlike in past years, there were no reported violations of these rights.¹¹


ESTIMATED EXPENDITURE

Approximately seven per cent AusAID's East Timor budget in 2007–08 was spent on strengthening democratic institutions and community engagement.

OBJECTIVE 3:

REDUCE VULNERABILITY TO DISASTERS AND TRANSNATIONAL THREATS

RATING

-  The objective will be partly achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

East Timor remains vulnerable to a range of natural and man-made disasters as well as transnational threats such as people smuggling and avian influenza.

The current situation of internally displaced people is one of the most pressing issues facing the country, with estimates of 30 000 people living in camps.¹² Displaced people

¹¹ Bureau of Democracy, Human Rights, and Labor, *Country reports on human rights practices—2007 US State Department*, <<http://www.state.gov/g/drl/rls/hrrpt/2007/100519.htm>>.

¹² Interim Timor-Leste Survey of Living Standards, Directorate of National Statistics (September 2007), estimates that approximately 5 per cent of the population is living in emergency tents. More recent estimates are that around 30 000 people continue to live in camps for internally displaced people (National Recovery Strategy, Ministry of Social Solidarity).

are vulnerable to a range of threats, including food shortages, flooding, poor sanitary conditions and disease. The government's National Recovery Strategy has made inroads in terms of camp closures and resettlement of displaced people. Food insecurity in rural areas was a particular challenge in 2007–08, with plagues of locusts and seasonal drought creating food shortages.

The total budget for humanitarian activities in 2007–08 was approximately \$9.3 million. Since May 2006 the focus of Australia's humanitarian assistance has been to support the capacity of government and civil society to respond to crises, protect the rights of the displaced and vulnerable, and provide emergency (for example, food, water and sanitation, shelter and health services) assistance to the internally displaced population.

Implementing partners included government ministries (Social Solidarity, Health, and Agriculture and Fisheries), UN agencies (International Organization for Migration, World Food Programme, Office for the Coordination of Humanitarian Affairs, United Nations Development Programme, United Nations Children's Fund and United Nations High Commissioner for Refugees) and non-government organisations (Oxfam, Austcare, Plan, International Committee of the Red Cross and World Vision). Activities targeting internally displaced people in 2007–08 included:

- > \$1.5 million to UNDP to assist the government's National Recovery Strategy by promoting peace building through community-based dialogue as part of the process of resettling displaced people
- > \$2.5 million to the World Food Programme for maternal and child health and food programs for displaced people, and for rehabilitating emergency storage
- > \$3 million to the International Organization for Migration to support the management activities of camps for displaced people, including providing clean water, improving sanitation, health services and shelter kits, and supporting camp demobilisation processes
- > over \$750 000 to improve community nutrition and food security through international non-government organisations.

To reduce vulnerability over the longer term, Australia is working to strengthen the National Disaster Management Directorate, which is responsible for disaster preparedness and overall coordination of disaster management, with funding of \$1.5 million over two years. Australia is also working with other government agencies to improve their capacity to effectively manage and respond to threats. For example:

- > Australia is funding (\$4.75 million over three years) a new program that will help the Ministry of Agriculture and Fisheries to detect and respond to any outbreaks of infectious diseases, such as avian influenza. The program will be administered by the Food and Agriculture Organization of the United Nations.
- > Australian support for the Seeds of Life Program is also helping to address food insecurity (discussed in more detail under Objective 5).

- > The Department of Immigration and Citizenship has been working with the Secretary of State for Security to upgrade the border posts and immigration system in East Timor.

ESTIMATED EXPENDITURE

Approximately four per cent of AusAID's East Timor budget in 2007–08 was spent on reducing vulnerability to disasters and transnational threats.

OBJECTIVE 4:

BETTER PUBLIC SECTOR MANAGEMENT AND BUDGET EXECUTION

RATING

- The objective will be partly achieved within the timeframe.

Good progress was made towards achieving this objective, as evidenced by the modest improvements in the government's budget execution rates and financial management. The new government believes its reforms, with donor support, will build on AusAID's assistance. Even so, given that the institutions of government are being built from the ground up, the effective devolution of financial management to line ministries, the proposed decentralisation of government service delivery to the districts, and the development of an effective and accountable civil service will require substantial support over a very long time.

ASSESSMENT OF RESULTS AND PERFORMANCE

Major initiatives that have contributed to meeting this objective include the bilateral Ministry of Finance and Planning Capacity Building Program the Public Sector Capacity Development Program and the Consolidated Support Program. From late 2008, the multi-donor Public Financial Management Capacity Building Program will take over from the bilateral project, with Australia as a major donor. It is likely that Consolidated Support Program will be replaced by a similar policy dialogue incentive program to support the National Priorities Program.

Key results

The following key results were realised in the areas of improved financial management and budget execution.

- > The new government successfully delivered a transitional budget and its 2008 budget on time. The 2008 budget was assessed as being closely aligned with the government's program and fiscally responsible, with expenditure targets within sustainable income levels for the Petroleum Fund.

- > Budget execution rates were improved significantly. For example, cash expenditure of the total budget rose from \$32.5 million in 2000–01 to \$188.6 million in 2006–07, almost a sixfold increase.
- > Execution of East Timor’s capital budget increased to about 10.5 per cent in 2006–07.¹³ While this was well below the government’s target of 80 per cent, it was a double the 2005–06 proportion. This increase was achieved when the overall budget more than doubled and against a backdrop of line ministries improving their expenditure and management of carryover funds from previous years.¹⁴ Clearly, capital budget execution is still very low and will need significant support to meet community expectations for improved service delivery.
- > Overall procurement timeframes were improved with the creation of an interim Transitional Budget Coordination Unit. The groundwork was laid for significant reform of the procurement system.
- > The documentation of taxation processes was updated and the new tax law was put to the parliament.

A recent external assessment concluded that the Government of East Timor’s ‘overall budget preparation and economic reporting tend to be handled quite well. Aggregate fiscal discipline is strong’.¹⁵ These achievements corresponded with a period of significantly increased numbers of Australian advisers working both in the Procurement Service and in four line ministries.

The Public Sector Capacity Development Program delivered a number of early wins.

- > The program was able to respond flexibly to support new government priorities. For example, support was provided to the Office of the Prime Minister and the Office of the Secretary of State of the Council of Ministers.
- > There is evidence the program was an important catalyst for policy debate within government. For example, there was considerable policy advocacy on civil service and governance reform, including the merits of establishing an apolitical merit-based regulatory Civil Service Commission, an independent Anti-corruption Commission and an Auditor General. These institutions have the strong backing of the Prime Minister, and are now in the early stages of development with support from the Public Sector Capacity Development Program and the former Premier of Victoria, Steve Bracks. There was also discussion about strengthening subnational service delivery.
- > Based on program recommendations, the government established an aid effectiveness unit in the Ministry of Finance and Planning and adopted a position in relation to aid effectiveness that embraces more than donor coordination. For example, the government is now considering Paris Declaration implications when making decisions

¹³ Timor-Leste Annual Financial Report & Accounts, Fiscal Year 2006–07
http://www.mof.gov.tl/en/treasury/download/en/CFET_Financial_Report_30_Jun_07_English.pdf, p. 7.

¹⁴ For example, in 2006–07 there was a \$19.5 million (or 164 per cent) increase in spending against carryover.

¹⁵ http://ec.europa.eu/europeaid/what/economic-support/public-finance/documents/timor_lesste_en.pdf, p. 7.

about aid modalities, rather than adopting a general policy regarding preferences for one aid modality over another.

- > Workforce planning was adopted in the Ministry of Economy and Development, and workforce plans are being developed for two other ministries—the Ministry of Education and the Ministry of Agriculture.
- > The program helped to strengthen the national training institute including developing three levels of localised curriculum for training civil servants.
- > A number of regulations were drafted to operationalise the Civil Service Act and 13 framework agreements were written (six were approved by the Council of Ministers), including the agreement between the Government of East Timor and Australia for the use of the oil fields in Sunrise and Trovador, the agreement between the Government of East Timor and Australia about maritime boundaries and rights in the Timor Sea, and a strategic framework for decentralisation and local government.
- > A demographic database is being developed to present a detailed and up-to-date picture of the total adviser presence in government. This represents an important first step in reviewing the effectiveness of technical assistance.

Constraints

There were a number of serious constraints to achieving this objective.

The Ministry of Finance Project faced serious challenges posed by the timing of the government's transitional budget and subsequent 2008 budget. A typical government budget process takes five to six months, yet the timeframe imposed by the government to complete both budgets was less than four months. To meet these deadlines, Australian-funded advisers needed to take on a significantly increased in-line role, which contributed to a lack of ownership by staff of the Budget Office.

The contracted timeframe also contributed to quality issues with the budget process. For example, there was insufficient time to follow accepted budget practices, such as providing line ministries with estimated fiscal envelopes as a basis to prepare their budgets. To avoid these difficulties in the future, the government will need to ensure that adequate time and political support are provided to administer an effective budget process, which will in turn help to ensure advisers can return their focus to one of mentoring and capacity building.

To speed up delivery under the transitional budget, procurement was administered under 'emergency provisions' (that is, by obtaining three quotes, rather than undertaking a tender process). While this contributed to high rates of budget execution under the transitional budget, procurement processes need to be normalised to ensure ongoing accountability and value for money. Transparent processes are also needed to help curb the potential for corruption.

A recent external review pointed to the need to strengthen the links between budget preparation and annual planning at agency level to improve service delivery and capital investment. The review concluded that:

It is on the strategic allocation of resources and efficient service delivery that the public finance system fails to deliver. Lack of capacity combined with an overly centralised and controlled financial procedural framework has constrained capital development spending.¹⁶

This difficult time laid bare weaknesses in the capacity-building approach used for the project. While considerable progress was made during the four years of the project, it is clear that the advisers in the Budget Office are still directly participating in budget preparation. Recently the project commenced numeracy lessons for counterparts; however, the deficits in basic skills should have been addressed earlier in the project. The lack of an effective tool to assess adviser performance was a major constraint in understanding the effectiveness of the technical assistance provided. These lessons have been learned for the next multilateral phase of assistance and addressed through the Public Sector Capacity Development Program, which has been tasked to develop an effective tool to measure the performance of technical assistance.

Australia's Ministry of Finance and Planning Capacity Building Program is being rolled into a larger multi-donor sector-wide program administered by the World Bank. Initially progress was slow but the transition from the bilateral project to the multilateral program is expected to be completed by the end of 2008. The transition needs to be managed carefully to ensure that the Ministry of Finance continues to receive adequate support to continue improvements in budget preparation, execution and management. Australia needs to work closely with the World Bank to ensure a smooth transition.

Although the Capacity Development Program was able to flexibly respond to requests for support from the new government, it was reviewed to ensure that the technical assistance provided was coherent and consistent with the new government's strategic priorities, and that the work required to strengthen core institutions was not being compromised by competing priorities and pressures.

The Consolidated Support Program was a multi-donor trust fund administered by the government and the World Bank. It provided a useful vehicle for the government to report to donors on progress, based on benchmarks linked to the government's Budget Action Plans. Unfortunately, the program completely stalled following the 2006 civil unrest and was subsequently sidelined by the UN-supported process to develop a Development Compact. The United Nations and the World Bank are now working together with the government to develop a new multi-donor mechanism (National Priorities Program), which will also include incentive funding.

ESTIMATED EXPENDITURE

Approximately 30 per cent of AusAID's East Timor budget in 2007–08 was spent on improving budget execution and public sector management. This represents the single largest objective in terms of aid program investment.

¹⁶ http://ec.europa.eu/europeaid/what/economic-support/public-finance/documents/timor_lecture_en.pdf, p. 7

OBJECTIVE 5:

INCREASE ECONOMIC OPPORTUNITIES AND RURAL LIVELIHOODS

RATING

- The objective will be partly achieved within the timeframe.

The private sector in East Timor remains small, with around 80 per cent of the population reliant on subsistence agriculture. Setbacks, such as drought and crop pests, have negatively impacted on food security and many people continue to suffer from seasonal food shortages. Unemployment remains very high, particularly among urban youths. The potential for large-scale job creation is largely limited to government-driven expenditure programs. However, the small scale of the private sector and the slow pace of government expenditure have hampered the creation of new employment opportunities. Given the magnitude of these constraints, this objective is likely to be only partly achieved within the next four to five years.

ASSESSMENT OF RESULTS AND PERFORMANCE

Initiatives that contribute to achieving this objective include:

- > Seeds of Life II
- > Peace Dividend Trust
- > the infrastructure project managed by the Asian Development Bank, to which Australia is contributing \$16 million over four years
- > International Finance Corporation project.

Key results

The Australian aid program's main assistance for rural development is the Seeds of Life Program, which is being delivered through the Ministry of Agriculture and Fisheries, and is managed by the Australian Centre for International Agricultural Research.

The Seeds of Life Program aims to alleviate rural poverty and food insecurity through the use of improved crop varieties and associated technologies to improve food production. The program continued to deliver strong results in 2007–08.

- > A total of 1170 farmers—twice the original target—now have access to improved yield seed varieties through on-farm demonstrations and trials. This is 570 more farmers than in 2006–07.
- > Seven new food crop varieties were released and are being promoted by the Ministry of Agriculture and Fisheries. Research results indicate that the large yield increases achieved in research stations are transferable to farmers in the field. This should help to increase food security for participating farmers, as well as contribute to surpluses that farmers can sell.

- > The research capacity of the Ministry of Agriculture and Fisheries was strengthened, including the rehabilitation of the Betano research station. There is evidence that the ministry's capacity to produce and evaluate seed stock has improved. For example, it produced 30 hectares of seeds in 2006–07; successfully multiplied the production of maize, cassava and sweet potato in several districts in coordination with non-government organisations and farmers; and established a system of variety evaluation including a variety release committee, testing on research stations and on-farm testing with farmers.

The program encourages women to apply for research assistant positions and attempts to include a proportionate number of men and women in training and other activities. Of the 21 Timorese research assistants currently working under the program, seven are female (around 30 per cent), which is similar the gender ratio of agronomy graduates. The aid program is also supporting two initiatives to help stimulate economic development.

The Peace Dividend Trust aims to fuel economic recovery by leveraging international operational spending through local procurement and removing barriers that limit the economic impact of peace and aid operations. Early achievements include the following.

- > By early 2008 over 700 businesses had registered to participate in the program.
- > A tender distribution point was opened in Dili in December 2007.
- > A major expo of local companies was held successfully in Dili in April 2008.
- > Local business opportunities have been promoted by establishing a matchmaking service, which links potential suppliers and buyers, and markets local products.
- > The East Timor procurement database, which provides online resources to connect international and national buyers, was launched on 20 May 2008.

The recently commenced infrastructure program aims to improve the government's delivery of capital development programs, which should in turn stimulate local employment opportunities. This will be achieved by progressing the many contracts signed under the previous government, as well as building project management capacity within the government to execute its capital budget and deliver capital development programs.

AusAID has supported the establishment of an International Finance Corporation office in Dili. The corporation has focused on providing the government with recommendations to improve the environment for establishing private sector activities in East Timor.

Constraints

Recent increases in international food prices have emphasised the importance of programs such as Seeds of Life, which have the potential to increase local production of food. The budget for this program has been significantly increased and the scope broadened to include marketing of goods as well as subsistence. However, while the Seeds of Life Program has been successful in identifying higher yielding food crop varieties, large-scale

extension to rural areas will be required by the Ministry of Fisheries and Agriculture to deliver wider impacts. The new government is committed to this approach.

In terms of promoting private sector investment, the previous government had not embraced the recommendations of the International Finance Corporation, despite a very poor score in the Doing Business Guide. The current government has been more open to these recommendations, but change will take time.

ESTIMATED EXPENDITURE

Approximately 13 per cent of AusAID's East Timor budget in 2007–08 was spent on increasing economic opportunities and rural livelihoods.

OBJECTIVE 6:

IMPROVE ACCESS TO HEALTH SERVICES AND RURAL WATER AND SANITATION

RATING

■ The objective will be partly achieved within the timeframe.

Evidence from a recent government survey suggests that access to health and to water and sanitation services has improved since 2001. These findings are encouraging, particularly given that Australia has been a major donor in both areas for a number of years. Even so, disparities in access between urban and rural areas are substantial, and overall national levels of access are still well below the government's targets and the Millennium Development Goals. As a result, it is likely that this objective will be only partly achieved within the timeframe of the current strategy.

ASSESSMENT OF RESULTS AND PERFORMANCE

The following major initiatives contribute to achieving this objective:

- > Australia Timor-Leste Assistance to Specialised Services Project
- > Health Sector Strategic Plan—Support Program
- > Rural Water Supply and Sanitation Program.

The Australia Timor-Leste Assistance to Specialised Services Project aims to improve the health status of the people of East Timor by providing essential general and specialist surgical services to address treatable illness, disability or trauma. Establishing sustainable surgical services in East Timor is a long-term goal, and the project faces some significant challenges in building sustainability. Surgical services are starting from a very low base, as there are currently no qualified Timorese surgeons. Nonetheless, there is evidence that Timorese-trained doctors and nurses are taking on increased responsibilities and working independently, particularly in performing anaesthetic procedures. More than 99 per cent of anaesthetics performed by visiting specialists were attended by a Timorese doctor or nurse. The project is also supporting three doctors to undertake surgical training

overseas. The project also regularly brings in teams with different specialisations—for example, plastic surgery, ophthalmology and orthopaedics—which travel the country treating local patients, and training doctors and nurses.

The Health Sector Strategic Plan—Support Program, with Australian Government funding of \$23 million over four years, is in the early stages of implementation. The program will support the implementation of the government’s National Health Plan, with a focus on improving health services, strengthening human resource management, and improving coordination and planning. The program aims to improve the delivery of health services in the districts, particularly for women and children, in order to accelerate progress towards meeting the Millennium Development Goals for health. The program will be led by the Government of East Timor and delivered with the World Bank.

Australia is also supporting a range of smaller activities in the health sector, including a campaign led by the United Nations Children’s Fund to include Hepatitis B in the national immunisation program, community nutrition activities being implemented by CARE and Oxfam, and analytical work, such as the Health Seeking Behaviour Study, which will help to inform other programs operating in the health sector.

The Rural Water Supply and Sanitation Program is still in the inception phase. The program is currently working with the Government of East Timor to develop a strategy for the water supply and sanitation sector. A key approach of the program is to work with both the Ministry of Infrastructure and the Ministry of Health to bring together the functional elements of water supply, sanitation and health promotion under one sectoral strategy. The program aims to substantially improve access to clean water and adequate sanitation, as well as improve health-promoting practices within communities, such as hand washing and keeping animals away from water sources.

ESTIMATED EXPENDITURE

Approximately 18 per cent of AusAID’s East Timor budget in 2007–08 was spent on improving access to health services and rural water supplies and sanitation. Expenditure is projected to increase as the new health and water supply and sanitation programs scale up their expenditure.

OBJECTIVE 7:

STRENGTHEN WORK SKILLS, EDUCATIONAL ATTAINMENT AND LEADERSHIP OF TIMORESE

RATING



The objective will be partly achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

Australia is helping to strengthen the educational attainment and work skills of Timorese people through a number of initiatives including:

- > Australian Development Scholarships and Australian Leadership Awards
- > a technical and vocational education program, costing \$24 million over four years.

A total of 12 new Australian Development Scholarships were awarded in 2007–08, 50 per cent more than in the previous year. In August 2008, the Government announced that from 2009–10 the number of scholarships would increase from 12 to 20.

Marketing of the Australian Development Scholarships has been particularly successful. The introduction of a mature-age entry category and the removal of a number of other eligibility constraints (for example, pregnant women and ‘fresh’ school leavers) have significantly increased the size and quality of the pool of eligible applicants.

Since 2000 a total of 144 Australian-funded scholarships have been awarded. More than two-thirds of these scholars (70 per cent) have completed their studies and returned to East Timor.¹⁷ Many have taken up high-level positions in government, including several ministerial positions (for example, Mr Joao Cancio Freitas, Minister for Education and Culture; Mr Pedro Da Silva Lay, Minister for Infrastructure; and Mr Nelson Martins, Minister for Health). Other key positions attained by these scholars in the current government include one Vice Minister, and three Secretaries of State.

In recognition of the important role of education in building future leadership in East Timor, the scholarship program has been closely integrated with the Public Sector Capacity Development Program. The aim of this approach is to ensure that East Timor’s public service has access to an increased pool of staff with tertiary qualifications.

Constraints have included difficulty in identifying a pool of suitable candidates with the required English language skills. While better marketing of Australian Development Scholarships and NZAID scholarships greatly increased the level of interest in the scholarship program, only around one-fifth of the applicants met the English language criteria. The English language hurdle remained the same as in 2005–06 (International English Language Testing System score of 5.0 for undergraduates and 5.5 for postgraduates).

While the scholarship program attracted an increased number of applicants from within the civil service, the program may need to consider refining the fields of study to ensure that skills being developed are in keeping with the broader capacity-building objectives within government.

To help tackle the problem of high unemployment, the aid program is also funding a new technical and vocational education program. This program commenced only

¹⁷ The program has had a very low rate of attrition. To date only five students have not been able to complete their studies.

recently and it is too early to report any significant outcomes. This program will fund several different initiatives, with a focus on:

- > helping the Government of East Timor to define its education policy
- > providing unemployed youth with practical work skills.

ESTIMATED EXPENDITURE

Approximately 16 per cent of AusAID's East Timor budget in 2007–08 was spent on providing technical and vocational education and scholarship programs.

What is the quality of AusAID activities in East Timor?

The majority of existing aid activities were rated as being of good quality. Several activities at very early stages of implementation were not rated. On the basis of the quality-at-implementation ratings for achieving objectives, the program can be roughly categorised as having:

> **Success stories**

- Support for elections—achieved good outcomes, with good use of the United Nations’ comparative advantage and expertise
- Seeds of Life Program—continues to deliver strong results, though future scaling up may pose some challenges
- Independent Media Program—achieved good but limited results in improving media reporting on elections coverage.

> **Potential successes**

- Strengthening parliamentary democracy—continues to deliver good results, though sustainability remains a concern with limited strengthening of the parliament’s secretariat function
- Ministry of Planning and Finance—has been able to deliver good results and adapt to change, but there are high risks around leadership, the transition to the multilateral program and expectations on the Timorese side
- Humanitarian program—has strong concerns about progress with committing funds for longer-term activities, despite the possibility of high returns
- Leadership and communication capacity—is meeting its objectives, but it is difficult to see what impact it might have on higher country-level objectives
- Peace dividend marketplace—is starting to show significant promise.

> **Watch list**

- UNDP strengthening of the justice system—has had good but limited results, although it is difficult to see the impact on justice while the policy and political environment is so uncertain
- Consolidated Support Program—stalled after the 2006 civil unrest .

A large number of major new initiatives will require careful monitoring over the next 12 months to ensure they remain on track, including:

- > Health Sector Strategic Plan—Support Program
- > Technical and Vocational Education Program
- > Rural Water Supply and Sanitation Program
- > Justice Sector Support Facility
- > ADB Infrastructure Support Project
- > Public Financial Management Capacity Building Program.

Activities with quality-at-implementation reports completed in 2007–08 account for only around 50 per cent of total program expenditure. In line with broader agency targets, the East Timor program is aiming for performance reporting on around 80 per cent of program expenditure.¹⁸ The comparatively low reporting by expenditure in 2007–08 was due primarily to the substantial number of new large-value initiatives having been only recently mobilised. It is expected that the proportion of program funds for which there is performance reporting will increase substantially in 2008–09 as recently established programs start delivering results.

MONITORING AND EVALUATION

While some activities have formal monitoring and evaluation frameworks, others are yet to develop effective performance assessment tools. Most bilateral programs have developed such frameworks, though the quality of information and reporting, particularly on outcomes, is still variable. There are also challenges posed by the framing of some program-level objectives (for example, unrealistically high objectives, particularly given the operating context in East Timor). In general, however, there appears to have been an improvement in the understanding AusAID's bilateral delivery partners have of the need for effective monitoring and evaluation systems, though some multilateral programs do not yet have adequate systems in place. The East Timor program will consider conducting a systematic review of monitoring and evaluation frameworks to identify specific areas for improvement.

To improve overall performance management, program staff need to dedicate more time to discuss performance issues and quality reporting with East Timor delivery partners. Evidence from the latest round of quality-at-implementation assessments suggests that the overall quality of reporting was generally better when there had been consultation with delivery partners. Program staff also need to explore ways to improve consultations on performance issues with counterparts in the Government of East Timor. Involving counterparts in the peer review of the program's quality at implementation is a good starting point, but more could be done.

CAPACITY DEVELOPMENT AND TECHNICAL ASSISTANCE

At a time when East Timor is receiving huge amounts of technical assistance, mostly aimed at capacity development, and when the preponderance of that assistance in the Australian program was challenged in the country program review, AusAID needs to be able to say more about the distinctive contribution of Australian technical assistance. Currently, none of Australia's programs has formal systems for monitoring and reporting on adviser performance.

There is a growing discussion among donors in East Timor about the scope of capacity building and whether it has been too tied to the adviser model, and there is serious

¹⁸ It is noted, however, that the East Timor Sea Pipeline payment of \$8 million a year (which is excluded from quality-at-implementation reporting) may limit the program's capacity to meet the performance reporting target of 80 per cent of expenditure.

discussion about putting more effort into the educational side of capacity building. It is clear that many counterparts lack the basic skills and education needed to benefit from the advice of a technical adviser, and educational deficits may need to be dealt with first through approaches such as basic skills training in country, scholarships and placements in more developed settings.

In recognition of the importance of better understanding the effectiveness of technical assistance and adviser performance, the East Timor program tasked the Public Sector Capacity Development Program to develop an adviser performance assessment tool in June 2007, with the intention of conducting annual reviews of Australian adviser performance thereafter. It was also planned that the program would work with the Government of East Timor to develop a tool that could be used more widely to assess all international technical assistance. However, progress on this front was stalled by recent changes in the government structure. This important monitoring and evaluation tool was included as an indicator in the Draft Country Strategy Performance Assessment Framework. Unfortunately, an appropriate performance assessment tool has yet to be developed. As a starting point, the Capacity Development Program developed an up-to-date database of international technical assistance across government. While this should assist in ensuring that such assistance is well targeted, a robust performance assessment system that takes into account the capacity needs of counterparts and the performance of international advisers needs to be established as a matter of priority.

PARTNERSHIPS

An increasing share of Australian aid to East Timor is being provided as multilateral assistance, which means that the strategic importance of Australia's relationships with key multilateral agencies has grown substantially. The aid program needs to explore ways to nurture partnerships with key organisations, particularly the World Bank, the United Nations Development Programme and the Asian Development Bank. The development of effective partnerships needs to be based on the principles of comparative advantage, cooperation and mutual responsibility, rather than the competitive, contractual-style relationships that have sometimes been evident.

It is in Australia's interests to continue to work closely with the United Nations in strategically important and politically sensitive areas, such as reform of the security and justice sector, and strengthening the parliament and support for elections. Australia is strengthening its engagement with the World Bank, including substantial support for its managed programs in public financial management and in technical and vocational education. In public financial management, support for the new multi-donor World Bank program heralds a move away from a longstanding program of bilateral assistance in the finance sector. In each of these areas, AusAID needs to redouble its efforts to build constructive relationships and identify and communicate its expectations. AusAID also needs to work closely with the World Bank to share lessons learned and help to deliver a smooth transition to the multilateral program and ensure no traction is lost.

Multilateral organisations have the disadvantage of not always being able to respond quickly to changing circumstances and neither do they have any particular allegiance to Australia's national interest. In some cases, AusAID may want to consider opportunities to augment multilateral assistance with flexible bilateral forms of aid (for example, the Justice Sector Support Facility). AusAID also needs to look for opportunities to increase its strategic engagement and dialogue with multilateral partners and with the Government of East Timor. AusAID recently negotiated a secondment to the World Bank office in Dili, and engaged key sectoral advisers (for example, a Justice Adviser and an Education Adviser) to help build such relationships. It will also be important for these resources to ensure there is a greater focus on getting a more consistent story on the success or otherwise of the partnerships. Much more work is needed in this area, including a refocusing of AusAID staff time on fostering partnerships.

SUSTAINABILITY

The sustainability of outcomes needs to be viewed within the wider operating context in East Timor. The aid program is at the beginning of long-term engagements in many areas and operating in an uncertain political context in which sustainability is hard to discern. In such circumstances, sustainability is not so much about what would happen if aid stopped tomorrow, but more about the way that AusAID approaches activities—for example, ensuring that its interventions promote affordable and appropriate solutions, using government systems where possible, ensuring ownership and operating at the pace of East Timor counterparts. A consistent approach is needed in terms of how sustainability is judged. However, programs also need to be flexible in how they respond—not ruling out line assistance in areas where there is a clear need to fill gaps.

USE OF GOVERNMENT SYSTEMS AND RISK

The aid program is aiming to deliver several of the larger new initiatives using sector-wide approaches (for example, the Health Sector Strategic Plan—Support Program and the Rural Water Supply and Sanitation Program). Given the underlying weaknesses in government systems, these approaches have the advantage of promoting improved donor coordination and reducing the administrative burden on government. However, underlying weaknesses in government systems also pose both challenges and risks for programs operating under sector-wide approaches. In many cases, such programs have focused heavily on helping the government to establish coherent sector planning and strengthening underlying systems—often at the expense of improving the delivery of much needed basic services (with potential for a form of ‘death by planning’). Consideration may need to be given to adopting a more phased and progressive approach to sector-wide approaches, with more direct service delivery occurring early on while government systems are progressively strengthened. The program may also benefit from reviewing the lessons learned internationally with sector-wide approaches operating in a fragile state environment.

Appendix: Priority areas of the new constitutional government

THE PROGRAM OF THE 4TH CONSTITUTIONAL GOVERNMENT

The 4th Constitutional Government of East Timor has outlined its plan for change and reform to service provisions in order to combat poverty. The government has also committed to addressing the problems underlying the recent security crisis and meeting the needs of the people of East Timor. These priorities, set out in full in the document *Program of the 4th Constitutional Government, September 2007*, are summarised below.

I. ECONOMIC GROWTH

- 1 Agriculture
- 2 Fisheries and aquaculture
- 3 Animal farming
- 4 Natural resources
- 5 Energy policy
- 6 Trade, industry, private sector and cooperatives and services
- 7 Tourism

II. REFORMING THE MANAGEMENT OF THE STATE

- 1 Civil service
- 2 Administrative organisation of the territory
- 3 Public finances
- 4 Fighting corruption

III. DEVELOPING THE SKILLS OF YOUTH AND NATIONAL HUMAN RESOURCES

- 1 Education
- 2 Vocational training and employment
- 3 Art and culture
- 4 Sports

IV. SOLIDARITY, HEALTH AND SOCIAL PROTECTION

- 1 Health
- 2 Combatants of National Liberation
- 3 The elderly and women

V. INFRASTRUCTURES AND IMPROVING LIVING CONDITIONS

- 1 Housing
- 2 Public works
- 3 Water, energy and sanitation
- 4 Telecommunications
- 5 Transportation
- 6 The environment, reforestation and prevention of natural disasters

VI. PROMOTING EQUALITY AND TOLERANCE, INTERNAL SECURITY AND STRENGTHENING DEMOCRACY

- 1 Peace and security
- 2 Justice
- 3 The media

VII. NATIONAL DEFENCE AND FOREIGN POLICY

- 1 National defence
- 2 Foreign affairs
- 3 International cooperation

THE NATIONAL PRIORITIES PROGRAM

The 2008 National Priorities Program was announced at the Timor-Leste Development Partners' Meeting of 27–29 March 2007 in Dili. The program set priorities for government and for alignment of donor support. The government is committed to an ambitious set of actions to achieve these priorities in 2008, and is establishing sector working groups for government, donors, the private sector and civil society organisations to jointly discuss and monitor progress. The six priority areas are:

- 1 Public safety and security
- 2 Social protection and solidarity
- 3 Addressing the needs of youth
- 4 Employment and income generation
- 5 Improving social service delivery
- 6 Clean and effective government.