

BESIK (2012-2020)

*Program Design Document
Version 2, 1 December 2011*

Table of Contents

1. Executive Summary.....	3
2. Introduction.....	7
3. Situation Analysis.....	9
4. Guiding Principles and Features.....	17
5. Overarching Policy Issues.....	26
6. Program Description.....	28
7. Implementation Arrangements.....	56

1. Executive Summary

This design proposes a new eight year program of support to the rural water, sanitation and hygiene sector (RWASH) in Timor-Leste. The program is a partnership between AusAID and GoTL and will commence on 1 July 2012 for a first four year stage, for which expected expenditure is \$45.860 million.

What will BESIK deliver?

BESIK will support the GoTL's Strategic Development Plan – in particular these 2015 targets:

- *75% of Timor-Leste's rural population will have access to safe, reliable and sustainable water (from 57.1% in 2010)*
- *55% of Timor-Leste's rural population will have access to improved sanitation (from 26.3% in 2010)*

For achievement of these targets, GoTL and AusAID will work through BESIK to bring about changes in behaviour or performance of a range of stakeholders in the sector, including households, water user groups (Grupú Maneja Fasilidade or GMFs), school students and staff, private sector, NGOs, and various levels of government. These changes are BESIK's end-of-program outcomes, and are illustrated in the program logic diagram at *Annex 3*. At inception, credible¹ baseline information will be collected for each of them.

From these outcomes, a small number of important indicators will be annually selected by the BESIK Steering Committee for discussion in high-level GoTL-AusAID Bilateral Partnership Talks between the two governments. The draft targets for 2012 are:

- *90,000 additional rural people will gain access to safe, reliable and sustainable water supply (both Government of Australia and Timor-Leste funded water systems)*
- *20 additional schools will gain access to safe, reliable and sustainable water supply*
- *50% of new systems fully functioning after one year (an increase from 30% in 2007)*
- *35,000 additional people with access to basic sanitation*

¹ Credible in this sense means methodologically defensible – meeting international evaluation standards of study design and conduct.

How will it compare to the previous phase?

The program builds on sound relationships, policy frameworks, and service delivery approaches demonstrated under the last phase of AusAID's support to the RWASH sector (2007-12, \$41m). This phase focused on both directly building infrastructure through NGOs and developing GoTL capacity to deliver RWASH services. Given its solid reputation, the program will retain the same (tetum) name - *Bee, Saneamentu no Ijene iha Komunitade* (BESIK, or Rural Water Supply and Sanitation). Comparisons between the previous phase and BESIK (2012-20) are discussed below in relation to a) scope and b) ways of working.

Scope

Implementation challenges and a changing context call for changes in BESIK's scope. On the water side, significant increases in GoTL funding for decentralised procurement of water system construction mean Timor-Leste should come close to reaching its SDP targets – but only if coordination of implementation improves, and an effective system for community consultation, and good water system design and maintenance is introduced. In terms of sanitation and hygiene, progress has been slower, and innovation is needed to generate evidence of a viable model for Timor-Leste.

Thus, the program will invest in some new areas. Shifts in scope can be grouped according to the services that the program will improve, and the management systems needed to enable them. **Service delivery** areas that will see stronger investments from AusAID and GoTL compared to the last phase are:

- Water system repairs, operations and maintenance
- District sanitation and hygiene promotion, including in selected schools
- Assistance to establish network of district-based sanitarians
- Market-based interventions at the national level around sanitation product marketing and distribution, and mass media hygiene promotion campaigns
- Measures to enable an effective community voice at the district level for improved RWASH services

In terms of **management systems**, there will be a stronger focus on:

- Central GoTL Ministry policies and resourcing for decentralised provision of small-scale infrastructure, and the inter-Ministry coordination required for their sound implementation.
- District (SAS) managers' financial management, leadership and management practices and central reforms required to enable them.

Several reforms initiated in the previous phase will continue. In terms of service delivery, the program will continue to:

- entrench community engagement in water system design, construction and upkeep, including meaningful participation by women and people with disabilities
- embed other functions that have proven crucial to water system sustainability – namely quality survey, design, and contractor oversight
- support water resource management functions that are critical to sustainable rural water supply

And in terms of enabling GoTL management systems, the program will continue to:

- support finalisation and institutional alignment behind the new policy frameworks for rural water, sanitation, and water resource management
- maintain the recently developed information system for rural water and sanitation (SIBS), and DNSAS' more inclusive approach to annual planning.

Ways of working

Program decisions in the new phase will be guided by some overarching principles. Fundamentally, these are about:

- Improving shared ownership through more direct dialogue and joint decision making by AusAID and GoTL;
- maintaining a sharp focus on improved service delivery rather than treating systems strengthening as an end in itself;
- promoting sustainable change across the sector, including through simple, cost-efficient service delivery models and market-based approaches;
- generating evidence-based knowledge that can be applied by decision-makers in broader policy processes.

Developments in this regard will be progressive, and will be pursued via the following new implementation arrangements:

- Initiation of a joint Steering Committee that takes genuine responsibility for program implementation
- The creation of a Program Director role in AusAID, with the mandate and expertise required to lead direct policy engagement with GoTL partners.

- Progressively greater use of GoTL PFM and procurement systems, pending fiduciary risk assessments
- Much more systematic approach to monitoring and evaluation, including pilot studies for service delivery innovation, so that the Steering Committee gets the credible information it needs to make decisions about scaling up innovations that prove to be effective in Timor-Leste.

To signal its commitment, this design process trialled an approach new to AusAID in Timor-Leste. Rather than contracting out consultations, AusAID staff has led targeted dialogue with GoTL partners². These have: occurred over seven months; included two more formal stakeholder workshops to discuss the full program scope as it has taken shape; and been informed by a significant body of analytical work on RWASH issues in Timor-Leste and internationally.

Analysis, discussions and consequent decisions about program scope have been framed by program logic. This means much more clarity about which groups and agencies the program will work with, why and how their performance is expected to change, and how this in turn will lead to greater access to and utilisation of water and sanitation in Timor-Leste. This is expected to enable AusAID and GoTL to focus on what the program is trying to achieve while making decisions about what the program will do.

Program interventions include:

- Pilot design, testing, and oversight
- Sector budget support
- Policy engagement
- TA personnel, on-the-job training and mentoring, scholarships and short courses
- Grants to NGOs and private sector
- Procurement of assets that enable improved service delivery.

Section 6 describes how these interventions will be applied across each of the changes in performance or behaviour (i.e. the outcomes) that BESIK will bring about.

² Including Secretary of State for Electricity, Water and Urbanisation and Departments of National Water Control and Quality, Water Services, Planning and Development, Administration and Finance, and Sanitation in Ministry of Infrastructure; Directorate of Community Health, Department of Health Promotion and Education, Department of Communicable Diseases, Department of Environmental Health, and Infrastructure Management Unit in the Ministry of Health; Public Health School and Grant Department, Ministry of Education; Ministry of State Administration and Territorial Management, National Development Agency, and Budget Directorate in the Ministry of Finance.

2. Introduction

This design specifies a new program of support to the rural water, sanitation and hygiene sector in Timor-Leste for 2012-2020 (the Program). It follows on from a delivery strategy and concept note approved in mid-2011.

Safe water, improved sanitation and good hygiene practices (WASH) lead to better health, education, economic development, and state legitimacy where the communities experience improved service delivery. Improving WASH in Timor-Leste is a clear shared priority of the Government of Timor-Leste (GoTL) and Government of Australia, and is captured in GoTL's Strategic Development Plan, and the Australia - Timor-Leste Development Cooperation Strategy.³

Australia has been working in the rural water supply, sanitation and hygiene sector in Timor-Leste since 2003. The current phase is known by its tetum name, Be Saneamentu no Ijene Komunitade (BESIK, or Rural Water Supply and Sanitation Program). It is a five-year (2007-12) \$41 million project implemented by a managing contractor which provides technical assistance to the Ministries of Infrastructure and Health and subcontracts NGOs to deliver water and sanitation services to communities. Australia and GoTL have established a strong and effective partnership in the RWASH sector through BESIK, and Australia remains the largest donor in this sector.

The current phase has a strong track record. An independent evaluation in 2010 and internal annual AusAID quality reports have rated it highly (Bazeley et al, 2010). It has taken a pragmatic approach to demonstrating tangible improvements in service delivery, particularly of water supply; while at the same time assisting GoTL develop enabling policy and institutional frameworks. However, the proliferation of government decentralised mechanisms for funding water supply and slow progress on sanitation and hygiene promotion raises challenges BESIK must adapt to.

This Program design process was carried out in way that enabled a clear link between design decision-making and strong analytics as a basis for those decisions . This means GoA and GoTL making joint decisions about what to work on based on available existing evidence, jointly commissioning additional analyses where required, and using

³ A fuller description of the rationale for engagement in the RWASH sector is provided in the *Rural Water and Sanitation in Timor-Leste Concept Note (Version 6: 22nd July, 2011)*.

technical advice from a range of sources. This approach is considered more appropriate than engaging consultants to frame the scope of the Program.,

Australia and Timor-Leste partners agreed on the design through a series of discussions and workshops. An external design specialist helped facilitate the process and some of these discussions

The structure of the design is as follows:

- Analysis of the factors affecting access to and utilisation of water and sanitation (*Section 3 in brief and Annex 1 in full*)
- Description of the principles guiding the program, and the features of the design that ensure the principles are applied (*Section 4*)
- Brief outline of how the program will address overarching policy issues e.g. equity and social inclusion, and anti-corruption (*Section 5*)
- Description of the outcomes the program will achieve, and the types of interventions that will be employed to achieve them (*Section 6 and Annex 2*). This is also illustrated in an annexed program logic diagram (*Annex 3*)
- Outline of the implementation arrangements, including resourcing and costs (*Section 7*).

3. Situation Analysis

3.1 Introduction

There is a clear development rationale for further investments in rural water supply, sanitation and hygiene in Timor-Leste. Fifty-seven percent of rural Timorese communities have access to safe water, and 26.3% of rural households have access to basic sanitation (GoTL, 2011b). Poor hygiene practices are widespread: most households report disposing of infant faeces at a public tap or water body, and hand-washing with soap rates are low (Shapiro et al, 2009).

This section discusses the factors contributing to RWASH in Timor-Leste as they relate to: behaviours of households, communities, and school communities; performance of private sector and NGOs; GoTL's service delivery functions; and GoTL management systems. This structure mirrors the program description (*Section 6*) so that the reader can more easily test the evidence base underpinning choices about program scope and focus. The full referenced situation analysis appears at *Annex 1*. The numbers of the headings in this section align with the sections in Annex 1.

3.2 Contributing factors: Households, community, and school community behaviours

Safe **hygiene behaviours** underpin utilisation of both safe water and improved sanitation. The draft National Sanitation Policy commits GoTL to promoting several hygiene behaviour changes, including: hygienic toilet use and maintenance; safe disposal of excreta; hand-washing with soap at critical times (HWWS); preserving a safe drinking water chain from source to consumption; and safe management and disposal of wastewater (GoTL, 2011). Recently, research commissioned by the BESIK Program indicates there is still some way to go on each of these. For example, despite high awareness of health risks, HWWS rates after defecation are estimated at around 3.5%.

Household **willingness to invest in sanitation facilities** underpins access to sanitation. The vast majority of Timorese prefer toilets to open defecation, for privacy and convenience (rather than health). However, most people prefer water-flush toilets, even where water is scarce. Affordability and access to water are therefore the main barriers to people purchasing toilets (BESIK, 2010).

On the water side, analysis in Timor-Leste shows that **community engagement through organized water user groups (known as GMFs) in the planning, design, construction, management and maintenance of water systems** is a primary determinant of system longevity (PLAN, 2009; BESIK, 2011a). This is operationalised

through National Water Services Department's (NWS) now well established Community Action Planning (CAP) Process. For systems in schools, there may be opportunities to support links between GMFs and parent teacher associations for improved system upkeep⁴ (BESIK, 2011c).

Across water, sanitation and hygiene service delivery, there are opportunities to promote **community (GMF) influence over district government planning and decision-making**. Recently instituted mechanisms such as formalisation of GMF status in suco councils hold some promise.

3.3 and 3.4 Contributing factors: Private sector and NGO performance

The private sector plays three main roles in the RWASH sector in Timor-Leste:

- *Contractors for water system construction, rehabilitation, and repairs*: Contracts are issued under decentralised development packages (called PDD1, PDD2, and PDL). There are reports that work is lacking in **quality of construction, community interaction and value for money** (DNSAS, 2011), driven mainly by lack of accountability.
- *Suppliers of water system spare parts*: Unavailability of spare parts is another reason for poor maintenance but BESIK advisers report that this is improving thanks mainly to the mushrooming of district water system construction contracts.
- *Suppliers of sanitation products*: Over 90% of people have access to soap, but the **latrine market** suffers from: **limited competition and inflated prices; little business awareness** of the extent of rural demand and opportunities for expansion. BESIK is supporting design of an affordable latrine model.

Viable and appropriate roles for NGOs in the sector include: Working with SAS on **community engagement around water system construction** (including capacity development of GMFs); working with DHS on **community facilitation associated with sanitation and hygiene promotion** (e.g. community-led total sanitation, CLTS); and **exploration of models for promoting community voice** in government decision-making across the sector.

3.5 Contributing factors: Government service delivery functions

Evidence shows there are several key functions that the NWS's district units (SAs) can play that substantially improves **water system construction** quality and sustainability. These are: facilitating inclusive planning by GMFs and communities, for both construction and upkeep; technical survey and design; briefing and supervising

⁴ UNICEF may support better linkages between GMFs and parents associations with AusAID funding in 48 schools over three years (UNICEF, 2011).

contractors; and informing District Administrations' contractor selection and payment (PLAN, 20009; BESIK, 2011a). The proliferation of decentralised procurement mechanisms for water system construction makes it difficult to ensure these roles are fulfilled. Ensuring they occur for systems within schools and clinics is the responsibility of the Ministries of Education and Health, but NWSD should coordinate with them as appropriate.

The extent to which the new phase supports GoTL to meet **maintenance** challenges will be the primary determiner of Timor-Leste reaching its SDP and MDG targets (Bazeley et al, 2010; BESIK, 2011f). A cost-effective, viable, and scalable model for maintenance and repairs is yet to be defined, though review of options is already underway with BESIK support (BESIK, 2011d; BESIK, 2011e). An important decision will be whether to include health clinic and school water supply within the scope of the designed system. Currently, repairs and maintenance falls within the role of MoH and MoE respectively (including regular water treatment in community health centres) but is under-resourced and ineffective.

In terms of **national water resource planning**, hydrogeological mapping and a census of waters sources is underway with National Water Control and Quality Department (NWCQD). Medium-term priorities for rural water supply include: establishing a database of water source locations and characteristics to inform rural water supply planning;⁵ identifying adaptation strategies for extended drought periods e.g. rain water harvesting; and finalising GoTL's policy and law on water resource management (BESIK, 2011b).

Another key water resource management issue for the sector is how best to ensure that the water people access is safe to drink or use. Limited testing carried out by SAS and NWCQD shows very high bacterial levels, mainly e-coli, in shallow wells and a number of spring based systems. This indicates faecal contamination and pathogens. BESIK is helping address contamination through interventions at different points in the chain between the water source and the point of consumption e.g. GMF protection of water source. In addition, WHO is supporting the Environmental Health Department (EHD) develop a more comprehensive **water quality surveillance** system, potentially with AusAID funding delivered through the WASH Thematic Group.

The scale of **school latrine construction** has improved in recent years, and construction quality is generally sufficient, but there is no structured participation from school communities in **planning, and upkeep** is poor (UNICEF, 2011; WSP, 2011). AusAID is designing a new, large education program that will likely improve the scale and quality of school sanitation facility construction, design, and monitoring. However, it may be

⁵ This could potentially include monitoring of saltwater intrusion to groundwater for the Comoro and Bidau well fields, which supply Dili's water.

appropriate for BESIK to exploit synergies between its community-based sanitation and hygiene promotion and promotion of more hygienic use and upkeep of school facilities.

During the design process it was difficult to retrieve reliable information on **latrine access and utilisation in health facilities**. AusAID's new health program will not dedicate funding for health facility infrastructure, but it will include direct financing to District Health Services for discretionary expenditure on health services, which may include latrines, hand-washing facilities, hygiene kits etc. This indicates it should not be a priority for BESIK.

The draft Sanitation Policy sets a broad framework for improving sanitation in Timor-Leste. Within this breadth, various **strategies for improving sanitation-related hygiene practices**⁶ are operating in Timor-Leste, sometimes at cross-purposes. Employment of a diverse range of approaches can be an effective strategy for getting at the difficult challenge of sanitation-related hygiene behaviour change. However, this particular collection of activities is problematic in a few respects: The provision of hardware subsidies (i.e. free latrines) for vulnerable households but not for everyone else is undermining CLTS and sanitation marketing (Araujo et al, 2011); the messaging employed to encourage good hygiene practices are disparate whereas common messaging would heighten impact (Scott, 2011); there is too much short-term, project-based support which limits effectiveness; and MoH is under-resourced for sanitation and hygiene promotion. Stronger investment in this sub-sector is appropriate and consistent with BESIK's trajectory, and needs to begin with a front-end investment in a well-coordinated and evaluated pilot of a mix of current and proposed approaches and roles (e.g. sanitarians and NGOs), with a view to scaling up what works best.

3.6. Contributing factors: Government management systems

a. Planning, Budgeting and Monitoring

With support from BESIK, NWSD has led significant improvements in the quality of its planning, budgeting and monitoring systems e.g. institutionalisation of annual planning and budgeting processes that are more inclusive of district staff. However, there are also areas for improvement, and NWSD's role in PDD and PDL budget allocations for water system construction is not yet settled. Taking into account feasibility and impact on services, priority issues are considered to be: continuing support to NWSD to secure approval of its budget submissions, especially the recurrent budget and 'sustainability components' like survey, design, and community engagement; maintenance of the water

⁶ For the purposes of the draft Sanitation Policy, this includes: use and maintenance of hygienic toilets; ensuring the safe disposal of animal and human excreta, especially child and infant excreta; and hand-washing with soap at the five critical times of after defecation, after cleaning a child's bottom, before preparing food, before feeding a child, and before eating (see *Part 3a. Hygiene Behaviour*).

and sanitation information system (SIBS); and improving District SAS Manager budget development skills.

Within **MoH**, its PFM Roadmap is addressing major planning and budgeting issues with support from AusAID's health portfolio. Current priorities are: coordination between SIBS and MoH's environmental health information system (KUBASA); and appropriate district budget submissions for sanitation and hygiene promotion, which is currently under-funded.

Within **central agencies**, key issues relevant to the WASH sector are: inconsistencies between capital and recurrent budget priorities, little line ministry flexibility to re-allocate recurrent budgets, and unsustainable prioritisation of capital expenditure over funding for repairs and maintenance. Under a separate public financial management capacity building program, AusAID is working with MoF, and currently the World Bank, on these issues.

b. Public financial management

Within **MoI**, recent analysis identifies some fundamental PFM bottlenecks that inhibit District SAS service delivery. For example, district Managers within NWSD have virtually no control over their budgets; district budget allocations are not tailored to differing circumstances; and there is a range of inefficiencies associated with the management of cash advances made to District Managers. There are also further bottlenecks at the central level, such as the absence of a medium-term expenditure framework (Mellors, 2011). In line with a service delivery focus, some of these could be addressed within the design of a new system for water system repairs and maintenance. For example, district level repairs procurement could be trialled, along with 'top ups' of imprest accounts before they are fully expensed.

PFM constraints are similar **within MoH**, which has committed to a PFM Roadmap to address these concerns. Its implementation will impact on the quality of district level sanitation and hygiene promotion services. There are further PFM issues **within central agencies**, such as the proliferation of less competitive decentralised procurement methods. Some of these are being worked on under AusAID's PFM and Governance portfolio. However, opportunities could be taken to bring evidence from MoI and MoH experience into broader GoTL policy discussions.

c. Human resource management

For the medium term at least, Timor-Leste will continue to need to source expatriate engineers. But if sufficient efforts are made to re-deploy and develop existing staff, other technical staffing needs could be met (Bond et al, 2009). This situation could be revisited through a more detailed **workforce planning** process in 2015.

To date, BESIK has supported the development and implementation of a range of training courses across the sector, mostly directly and sometimes through institutions like

CNEFP (Centro Nacional de Emprego e Formação Profissional)⁷. There is an opportunity to take some of this work to greater scale, and progressively **institutionalise training** functions as capacity allows.⁸

Training is only effective if it occurs within an enabling work environment, including opportunities for meaningful work, and a supportive team (Grindle and Hilderbrand 1995). Anecdotal reports suggest that District SAS capacity for and commitment to **supervision and mentoring** of staff varies across districts. More analysis is needed on the factors hindering and supporting effective supervision within NWSD, including **formal and informal incentives**. This could be integrated with practical training and mentoring to improve leadership and management skills of District SAS Managers (and potentially also Community Water and Sanitation Development Officers). This work will need to be iterative, led by GoTL, politically astute, and linked closely to practical initiatives (World Bank, 2008).

d. Inter-Agency Coordination

Design discussions with GoTL repeatedly identified that better inter-Ministry coordination would have a tangible impact on WASH service delivery. Broadly, the issues are that: there are several agencies with mandated roles in the sector; MoF resourcing decisions are impacting on different agencies' ability to play their roles; and decentralisation plans and measures are creating uncertainty and change, particularly in relation to procurement of small-scale infrastructure.

Particular **inter-Ministry coordination** priorities relate to decentralised procurement of water systems, and the co-existence of subsidised and non-subsidised approaches to sanitation and hygiene promotion. The former requires adherence at the district level to centrally agreed roles, while the latter calls for well evaluated piloting of a range of district sanitation service models in order to settle on an effective and scalable option.

Moreover, existing good practice **donor-NGO-government coordination** through the WASH forum and Sanitation Working Group should continue. Higher level sector coordination will remain important, and should be pursued through mechanisms that emerge around the Government's Strategic Development Plan.

⁷ The BESIK 8th six-monthly report notes that 23 RWASH training courses are now available through local training institutions with 92 Master Trainers delivering to others. However, of a list of training topics provided in the 8th 6-monthly report Annex 1.1 and conducted from March to September 2011, seven were provided directly by BESIK (two of these were delivered with MoH) and two were provided by another institution.

⁸ Expectations of institutionalisation of training should be measured for at least the next four years or so. Currently, the HR unit within DNSAS consists of four people. The depth of private sector training providers is improving but off a low base, and risks being swamped by donor demand.

e. Enabling assets

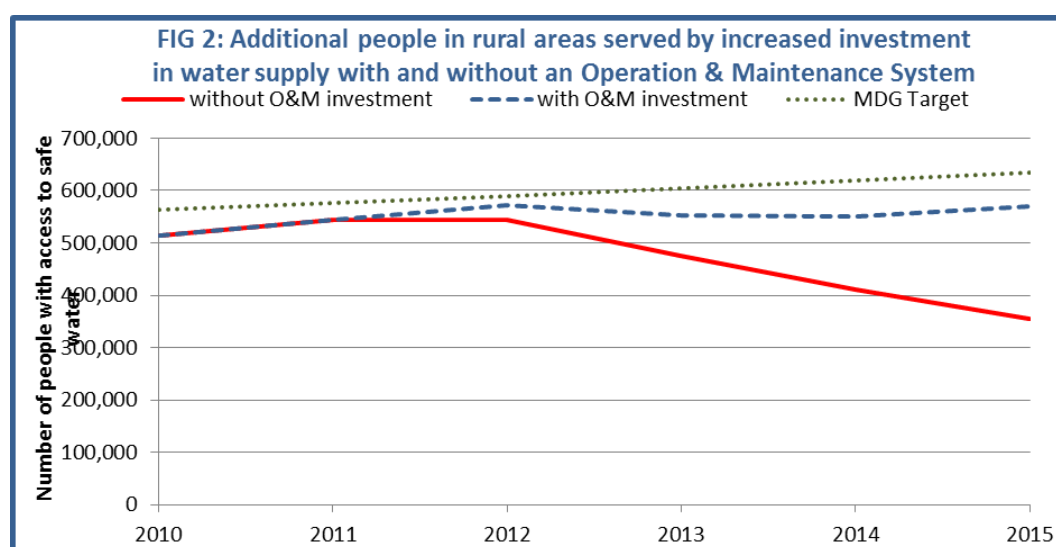
A BESIK-NWSD rapid assessment of SAS administrative and PFM systems in four districts found that basic district office assets are sometimes lacking, and this hinders SAS performance (Amponsah and Ximenes, 2010). Similarly, health sector stakeholders report that District Health Services (DHS) are under-resourced in terms of assets. In coordination with AusAID's health portfolio, there may be a case for BESIK funding of asset procurement where there is a strong link to service delivery (particularly within the scope of pilots), and a feasible plan for GoTL funding in the medium-term.

f. Policy Development and Organisational Alignment

With support from BESIK, NWSD and NWCQD in MoI and DNSC in MoI have worked hard to develop practical and clear **policy frameworks** for water supply, sanitation, and water resource management. However, securing approval through the Council of Ministers (CoM) has been slow and work is needed to **align organisational processes and practices** with them – especially in the sanitation and hygiene promotion sub-sector. Limited GoTL funding for water resource management is also a hindrance.

g. Sector resourcing

While it is discussed last in this section, the issue of appropriate funding for rural water supply, sanitation and hygiene underpins almost all the factors discussed above. Despite significant recent GoTL and donor budget increases to the sector, total investment in rural water is likely to fall off post December 2012. BESIK modelling indicates that at the current rate of capital investment, but with no **investment in maintenance and repairs**, Timor-Leste *will not* reach its MDG targets for rural water supply by 2015. Conversely, if an effective system for repairs, operations and maintenance is introduced over the next three years, an additional 216,000 people in rural areas would access water and Timor-Leste would move closer to its MDG targets (see figure 2 below).



This investment would be a less costly way to reach the MDG targets than investing in water system construction and rehabilitation alone – by about \$17 million (BESIK, 2011f).

Other under-funded service delivery functions in the water sub-sector are salaries for sub-district facilitators, and funds for survey, design and community engagement. Insufficient funding for water resource management is also a significant issue.

GoTL significantly increased the 2011 **budget to MoI for rural sanitation** to \$760,000, with a focus on subsidized latrines, and it is likely that 2012 will see a similarly large allocation. However, the MoH budget for sanitation and hygiene *promotion* (i.e. non-subsidised approaches) has fallen over the past three years.⁹ To reach the MDG target for rural sanitation, Timor-Leste requires an investment of approximately \$12 million over the next four years using a Total Sanitation Approach focusing on behaviour change.¹⁰

⁹ BESIK 6-monthly report #7, Annex 3.3

¹⁰ BESIK Independent Progress Review, 2010, 7; BESIK 6-monthly report #7, 8; This is an estimate of total investment required (ie including both GoTL and donor funding).

4. Guiding Principles and Features

4.1 Why are these guiding principles important?

This is an eight-year program that will work across a complex rural water, sanitation and hygiene sector within a rapidly evolving country context. To ensure it achieves its objectives, AusAID and GoTL require the flexibility to adapt to unforeseen challenges, capitalise on new opportunities, and respond to what the program is learning as implementation progresses. As such, a traditional project approach is not considered suitable for this context and this design will not attempt to specify each and every activity that will be carried out over the life of the program. However, flexibility comes with risk. AusAID's experiences with large sector programs in Timor-Leste and elsewhere show that without a clear articulation of what the program is trying to achieve, this type of flexibility can quickly lead to strategic drift, partner discord, and eventually disappointing performance. Flexibility must be exercised within agreed bounds and managed carefully.

A shared vision of the desired outcomes of the program (*Section 6*) and jointly agreed operating principles (this section) help ensure that strategic and day-to-day decisions are contributing to expected outcomes. The outcomes as currently described are based on partner's best knowledge to date and should be reviewed throughout implementation. Any changes will be supported by a rationale that is based on credible information or evidence.

The guiding principles for this program are based on good development practice and are highlighted to ensure that all stakeholders are working together in the same way to achieve the desired development outcomes. The principles are:

- Work toward genuinely shared ownership;
- Stay focussed on results;
- Sustainability: Strive for transformative, lasting change;
- Link knowledge and practice to policy; and
- Keep capacity development pragmatic.

They draw on lessons learned from the current phase, partner dialogue, and policy directions within both governments. Features of the design that translate the principles into practice are cross-referenced to assist the reader.

The Monitoring and Evaluation system of the Program will assess the extent to which the program is reflecting the principles during implementation, and how effective strategies to integrate the principles have been.

4.2 Work toward genuinely shared ownership

Improving ownership refers to increasing the degree of GoTL decision-making, commitment, responsibility and accountability over the development policies and activities it delivers, including those policies and activities that rely partially or totally on external funding. Ownership is an often stated but rarely achieved intent of aid programming. The gap between declared and actual priorities (for both GoA and GoTL) can maintain a façade that allows avoidance of difficult discussions about points of real difference (Woll, 2008). The scale and fragmentation of aid in Timor-Leste, combined with the legacy of its post-conflict emergency phase of assistance, has further encouraged superficial treatment of the country ownership challenge. This program is designed to translate the vision of ownership into effective practice.

BESIK's current phase has seen progress toward ownership within the Ministry of Infrastructure and to a lesser extent within the Ministry of Health. Senior staff back the program, provide direction, work on implementation, and actively participate in periodic reviews. AusAID too has demonstrated greater engagement in and ownership of BESIK's increasing policy agenda. This is a strong foundation that the new phase will build on with the elements set out below.

- *Clearly aligning the program with the new Strategic Development Plan, and with the RWASH policy framework* as it is confirmed (see Section 6).
- *Transitioning to greater use of GoTL systems* (see Sections 7.5 and 7.7). This includes providing Australian aid funding through GOTL financial management systems. It also includes timing program decisions to match GoTL's own annual planning, reporting and particularly budgeting. This will facilitate regular discussions between AusAID and GoTL about mutual commitments based on realistic medium term priorities.
- *Establishing a BESIK Steering Committee* as a tool for genuinely shared decision-making and mutual benefit (see Section 7.2).
- *More meaningful opportunities for face to face discussion between AusAID and GoTL* (within both line and central agencies) around RWASH developments by: bolstering senior AusAID staff resourcing for policy dialogue and relationship-building; and co-locating AusAID staff with counterpart staff in GoTL Ministries (see Section 7.4). The substantial amount of consultation that was undertaken during this design process is a demonstration of AusAID's commitment in this regard.
- *Linking shared decisions to shared accountability* for progress by genuinely sharing control over the membership and mandate of the Monitoring and Review Group between AusAID and GoTL (see section 7.3); and by subjecting the program to

senior joint review during annual partnership dialogue which may be linked to the Partnership for Development being negotiated between GoTL and GoA (see Section 7.9b).

Together, these elements are designed to promote a) equitable decision-making as a means to mutual respect, b) transparency as a means to trust, and c) mutual benefit as a means to a lasting relationship. Progress will be incremental and will depend on sustained commitment from both sides.

4.3 Stay focused on results

This Program will focus on achieving results that improve the lives of rural East Timorese communities. For this Program, for service delivery to be considered effective, it must result in sustainable access to and utilisation of water and sanitation services. Maintaining the link between program interventions, effective service delivery and better lives for the rural population will drive decision making during implementation.

‘Evidence-informed’ means that decisions are made with reference to monitoring data, evaluation findings, and broader research (or in the absence of these, stakeholder discussions and well-informed professional or technical judgments). Evidence is required to track what the program is doing and whether access and utilisation rates are improving, and also whether the *interim changes* along the way are happening as planned. Otherwise, by the time the program realises its strategy is misplaced, it will be too late to change tack.

Rather than taking a trickle-down systems strengthening approach, GoTL and GoA will target only the most critical *system constraints to on-the-ground service delivery*. Activities to directly address these constraints will also be used as an opportunity to garner a better understanding of a) the governance arrangements (formal and informal) that generate them and b) their underlying political, economic and social drivers (Fritz et al, 2009; Baser, 2011) – so that opportunities to entrench service improvements can be taken. This is about *starting small and using practical experience to progressively build understanding, momentum and credibility through accumulated success* (Baser, 2011).

This principle requires the following design features:

- *A clear logic in the design linking what the program will do with what it will achieve* (see Section 6). This logic should guide planning, monitoring, evaluation and reporting throughout implementation.
- *Increased investments in monitoring, evaluation and applied research* (see Section 7.9). The new phase will see more resources go into a strong monitoring and evaluation system. In particular, larger investments will be made in generating credible evidence from program pilots about what service delivery approaches work best.

The M&E system will also track the impact of the program's gender and social inclusion practices on more equitable outcomes.

4.4 Sustainability: Strive for transformative, lasting change

The current phase has seen BESIK evolve from a bounded project achieving its own limited objectives, to a more integrated program seeking to achieve GoTL development objectives across the whole sector. The new phase will extend this commitment to *sustainability* through:

- *Keeping service delivery simple and cost-effective.* This means working within existing institutions (e.g. linking GMFs to suco council structures), using appropriate technologies (e.g. latrines with universal access built from local materials), and utilising of households' and communities' own resources and capacities (e.g. community-led operations and maintenance of water systems).
- *Optimising sustainability across the sector as a whole.* Here, the best example is this program's response to increased GoTL investment in water system construction across the country (e.g. through PDD1 and 2), (*see Annex 1, Part 6di*). Rather than solely investing in construction and rehabilitation, the program will seek to improve the sustainability of GoTL investments by targeting the functions most critical to system sustainability e.g. operation and maintenance, survey, design, and community engagement (*see Section 6.7*). These are prerequisites to Timor-Leste achieving its SDP (and MDG) targets. It will also combine support to NWSD's implementation of these functions with broader policy engagement to encourage GoTL to adequately resource these functions over the long run, consistent with GoTL's medium-term fiscal planning.
- *Promotion of market-based solutions* (*see Section 6.6*). The private sector plays an important role in the delivery of RWASH services. For example private sector retailers can provide materials for people to construct their own latrines and other hygiene products. The private sector can sponsor hygiene promotion campaigns. The program will investigate and implement activities that will facilitate private sector engagement in these areas. The intent of these activities is to do as little as is necessary to trigger sustained private sector engagement.
- *Triggering personal commitment to behaviour change.* In line with the current phase's groundwork, international good practice, and the draft GoTL Sanitation Policy, the program will continue to encourage methods that trigger personal commitment to behaviour change in relation to sanitation and hygiene with minimal subsidy or use of material incentives (except for some disadvantaged groups). This will be an important area of policy engagement.

- *Ensuring environmental sustainability:* This includes ensuring natural water supplies are protected, retain quality and integrity, and are utilised sustainably (taking likely climate change impacts into account), as well as mitigating against damage to infrastructure caused by more intense weather patterns. Through the design, environmental risks will be considered to ensure AusAID compliance with environmental management requirements. This will include regard to an ongoing system during implementation for environmental management within the Program.

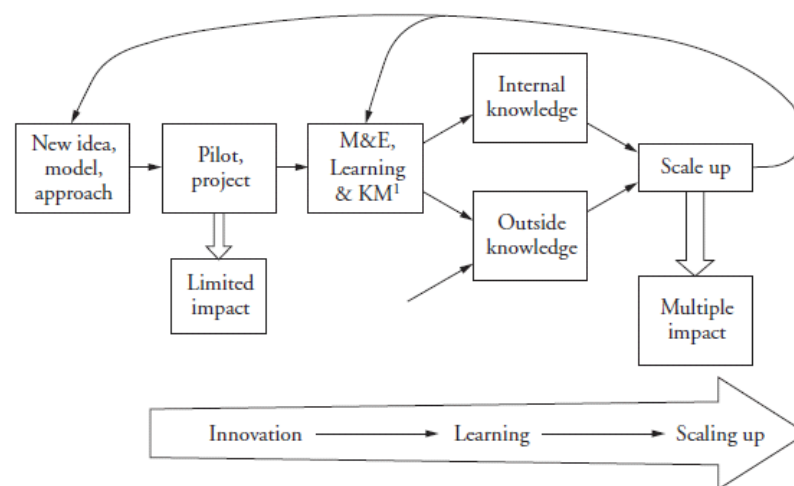
4.5 Link knowledge and practice to policy

Access to evidence about the implications of policy options can heighten the likelihood that policies will achieve their stated objectives (Carden, 2009). Generating knowledge that decision-makers can draw on in broader policy processes is an important mechanism by which BESIK will encourage transformative change across the sector (and in some cases more broadly across government).

Broadly, there are four ways in which MoI, MoH and AusAID will work through the program to encourage a better link between evidence, policy options, policy content enhancement, and effective policy implementation. They are ordered below according to the degree of influence the program should have on policy change:

- *Piloting innovative service models with a view to scaling up within the RWASH sector*¹¹. In contexts like Timor-Leste's, where service delivery models are evolving, there is a need to pilot or test new ways of working before making decisions that will affect the population. This work must be rigorously evaluated to assess whether it would work at much greater scale (taking into account cost-effectiveness, human resource requirements, fiscal constraints etc.) This involves a process of innovation, monitoring and evaluation, learning and knowledge management, scaling up and further innovation, depicted by Linn (2011) in the diagram below:

¹¹ This refers to the expansion, replication and adaptation of successful activities to reach greater numbers of people (Chandy and Linn, 2011).



Often, aid-funded pilots lack this process (Linn, 2011). Where this program is supporting genuine innovation like this (e.g. sanitation and hygiene promotion, water system operations, maintenance and repairs), success will be enabled by: involving decision-makers in pilot design, implementation and review; encouraging community demand for scaling up successes; applying adequate resources to uncovering and communicating credible evidence; giving the pilot time to generate this evidence; moving toward sector budget support as an incentive for GoTL to fund successful pilots at greater scale;; ensuring pilots are implemented equitably (gender, disability, vulnerability); and remaining engaged well beyond the pilot's conclusion (see Chandy and Linn, 2011).

- *Entrenchment of support and resourcing for established good practice within the sector.* New programs (e.g MDG Suco), funding increases for construction of new water systems and the expanding role of central agencies in the RWASH sector can lead to new approaches not being fully aligned with good practices and processes established by RWASH line agencies. For example, District SAS staff have been trained up in quality survey, design, and community engagement, but it is difficult for them to apply these skills to new systems funded through the Ministry of State Administration and Territorial Maangement. The program will continue to support RWASH line agencies to demonstrate, and secure central agency support for, service delivery functions that lead to more sustainable results.
- *Adaptation of established or innovative good RWASH practice outside the sector.* Some good practice within the RWASH sector has broader applicability, such as its model of community engagement around small-scale infrastructure planning and monitoring. This experience could, for example, be applied or inform road works or community development programs. The program will exploit opportunities for broader uptake of good practice, both through linkages between AusAID programs and through RWASH line agency coordination with central ministries such as MoSATM.

- *Reforming high-level policy constraints to RWASH results.* Where the program generates analyses that highlight MoI, MoH or central agency policies or systems that are a barrier to service delivery (e.g. cumbersome public financial management systems or lack of priority given to operation and maintenance expenditure), the program will encourage their reform through policy engagement across GoTL. This links with the program's approach to systems strengthening (*Section 4.3*). This calls for a careful approach and measured expectations.

Improving access to evidence is only one amongst several factors that contribute to policy decisions. Other factors are deeply embedded in the political, social and cultural setting, and are rarely easy to understand (Carden, 2009). To promote links between knowledge and policy, the program steering committee will lead the development of a shared policy engagement strategy that articulates the expected policy outcomes (both content and process), defines the approach, identifies the resources required and ensures that these resources are made available. An outline of the proposed content and process for developing this strategy is provided at *Annex 4*.

4.6 Keep capacity development pragmatic

To date, capacity development in Timor-Leste has been dominated by an over-reliance on advisors and has had limited success. Contextual factors have made capacity development a challenge: Timor-Leste's formal and informal institutions are still adapting to independence following five centuries of colonial rule; Timorese skills, knowledge and experience of managing and operating in modern professional organisations is limited; the mix of Portuguese, Indonesian, and English in formal spheres can inhibit learning; and the nation is managing the difficult transition between humanitarian and more long-term approaches to aid delivery (Morgan and Keogh, 2011).

But disappointing outcomes have also been a consequence of: insufficient clarity of the purpose of the role; over-reliance on the traditional advisor/counterpart model; an overly technical approach to assessing capacity development needs and designing approaches.

BESIK will take a broad perspective on capacity development by not focussing on skills alone. The design adopts a focus on performance. Performance is influenced by organisational and individual capacity as well as the broader enabling environment and organisational motivations and culture. Even within organisational capacity the design recognises that staff technical knowledge and skills must be complemented by leadership and managerial skills, a suitable structure, effective processes and procedures, efficient and effective financial management and procurement systems and other important dimensions.

Thus, capacity development approaches employed by this program include but are not restricted to skills development and training. Other examples include: streamlining

organisational processes and structures (e.g. PFM systems, *Central MS Outcome 2*) considered critical to service delivery outcomes; and facilitating SAS managers to identify and address some of the factors influencing their management practices (*District MS Outcome 2*). Further, where skills development is the objective, the program will not default to advisor-counterpart models. As recommended by GoTL, other methods will be employed, such as intensive, immersive and sustained ‘whole person’ training which: covers more than the simple transfer of functional knowledge; incorporates other blockages to performance e.g. literacy, critical thinking; and is relentlessly hands on and grounded in the daily work realities of participants. This is in line with a ‘learning by doing’ approach, which BESIK has demonstrated well to date.

Where technical assistance personnel are engaged, the distinction between ‘doing’ and ‘advising’ roles will be sharper. In line with a recent GoTL discussion paper on technical assistance, advisor inputs will be framed within three broad categories:

- *Strategic policy advice*, including strategic mentoring to specific groups or individuals, and one-off advisory tasks.
- *Operational contractors* (to GoTL) to carry out defined activities or operating functions (‘gap-filling’)
- *Skills development* of individuals and groups including: basic training delivery; more intensive training plus workplace mentoring packages; managing agreements with Timorese and international educational institutions to provide specific work related professional qualifications; and helping GoTL improve HR policies and practices to institutionalise skills development over time.

GoTL’s depiction of how delivery of such TA personnel inputs could evolve over time is provided below. Importantly, it illustrates that the long-term vision underpinning these choices may be government *provision* or *purchasing* of the function being provided¹²:

Error! Objects cannot be created from editing field codes.

A key strength of this framework is that it recognises the legitimacy of ‘gap-filling’ for particular purposes, and encourages a GoTL-contracted model for implementing it.

Whatever the capacity development method employed, the program will ensure that needs are always systematically and jointly assessed, specific performance outcomes are clearly defined by GoTL priorities, the approach employed reflects effective adult learning methods, content is pitched at the appropriate level, and progress is jointly

¹² Identifying the best way to deliver a function in the private sector and civil society is an important decision for GoTL across each sector, taking specific contexts into account

reviewed against intended outcomes (*see Section 7.9*). The staged capacity development model employed in other AusAID programs – including within MoI – will be considered.

5. Overarching Policy Issues

5.1 Equity and Social Inclusion

BESIK's goals are to achieve equitable access to and utilisation of water and sanitation in Timor-Leste. Equitable access for health requires fair distribution of opportunities to benefit from goods and services that allow people to lead flourishing lives (CSDH, 2008). This design recognises that some individuals and groups, such as women and people with disabilities, have different needs and may require different resources and support to access and use safe water and hygienic sanitation facilities. It also recognises that if these differential needs are not catered to, the impact of inequitable access will be greater for already marginalised groups. On the other hand, if equity in WASH is promoted within this program, it will have flow-on affects for access to education and employment, economic growth and improved health. For example, sanitation facilities in schools can improve girls' access to education.

The program will adopt a socially inclusive approach, which means ensuring that the voices of socially and economically marginalised individuals and groups are heard and their needs are taken into account in the planning, management and delivery of WASH activities. This requires action to break down attitudinal, environmental and institutional barriers that prevent disadvantaged groups from having a fair chance to benefit from WASH activities.

5.2 Anti-corruption

This program will promote anti-corruption efforts across the sector. This includes:

- policy engagement about accountability in decentralised funding mechanisms for water infrastructure;
- ensuring organisational systems reforms designed under the program mitigate against corruption risks (e.g. PFM, contracting repairs)
- ensuring greater use of government PFM systems is contingent on prudent fiduciary risk assessments and regular agreed audits.
- Mandating that financial management procedures of the managing contractor are compliant with relevant financial management, fraud control and accountability requirements.

The program will also link closely with broader anti-corruption measures (e.g. improved audit systems) supported under AusAID's governance portfolio, including through the

proposed *Governance for Development* program which will target improved public financial management practices across GoTL.

5.3 Environment, Climate Change and Compliance with the Environment Protection and Biodiversity Conservation Act

Climate projections indicate that East Timor is likely to experience higher annual average air and sea surface temperatures, a decrease in cooler weather, decrease in dry season rainfall and an increase in wet season rainfall and more frequent extreme rainfall days. Changes in rainfall patterns will have implications for water supply and storage, while changes such as sea level rise and frequent extreme rainfall will have implications for the design and construction of water and sanitation infrastructure.

To comply with the Environmental Protection and Biodiversity Act, BESIK will ensure that potential environmental impacts, including climate change and natural disasters, are appropriately assessed throughout the program, and that appropriate action will be taken to ensure negative environmental impacts are avoided, or satisfactorily reduced. This will include a program level environmental management system (EMS) to be developed during inception, focusing in particular on water resource management (Central Service Delivery Outcome 3) and water system construction, rehabilitation and upkeep (District Service Delivery Outcomes 1 and 2). The EMS will provide a mechanism for early identification of environmental risks. If environmental issues are identified, an environment impact assessment and environmental management plan will be developed.

5.4 Child protection

AusAID has a zero tolerance approach to child abuse and child pornography. The AusAID Child Protection policy provides a framework for managing and reducing risks of child abuse by persons engaged in delivering program activities. In line with the guiding principle of sharing responsibility for child protection, contractors and Non-Government Organisations (NGOs) funded by AusAID to implement aid activities overseas must meet AusAID's child protection compliance standards in their operations and must also apply the relevant standards to any partners, subcontractors or associates they may engage.

Section 6: Program Description

6.1 An Evolving Program Design

BESIK is a whole-of-sector program operating in a complex environment. This means that the program design is not based on a simple, static, linear logic model where outcomes can be predicted from a small number of interventions that are known to work in a stable context. Timor-Leste is an emergent nation, structures and processes have not been embedded, changes in the political context are likely, and there have been insufficient rigorous, systematic evaluations of approaches to water and sanitation service delivery conducted by GoTL or their development partners since independence.

This has significant implications for program design, and the way the Program Description is presented. This section represents stakeholder's best estimate of the expected end-of-program outcomes at the time of design. It is based on a synthesis of analytical work carried out to date, and in-depth discussions among stakeholders. As implementation unfolds, stakeholders' monitoring and evaluation of progress and the dynamic context is expected to result in regular adjustment to both the design of interventions and, at times, the expected outcomes. Adjustments to interventions will likely involve small-scale improvements to the implementation of approaches that are expected to be effective, and, to designing or perhaps re-designing more innovative approaches to service delivery.

As discussed in *Section 5*, this design document is not expected to be static, and will evolve every year. The monitoring and evaluation system requirements discussed in *Section 7.9* will provide clear guidance on how monitoring and evaluation is expected to support a flexible and responsive design framework, while reducing the risk of strategic drift.

Annex 3 provides a diagrammatic representation of the end-of-program outcomes for the Program. The mechanisms by which several of these outcomes are logically related are described in *Section 3* (and *Annex 1*). A list of acronyms is provided at *Annex 11*.

6.2 Higher Order Goals:

Why Invest in Water, Sanitation and Hygiene?

These higher order goals should be considered as the rationale for the program, and will not necessarily be achieved within the eight year time frame. Where resources permit, the M&E system should track the progress against some of these goals, especially those related to improved public health.

Public Health

Public health outcomes are very important outcomes that link utilisation of water and sanitation to other important gains described below. Expected public health outcomes for the Program are a: a) reduction in morbidity and mortality in children under 5 years of age; b) reduction in diarrhoeal disease in children under 5; and c) reduction in parasitic infections of children under 5.

Access to education and economic development

Better access to and utilisation of water and sanitation can have impacts on access to education and economic development. Expected improvements relate to: a) increased household income; b) reduction in time women spend on domestic chores; additional time available for income generation, food production; c) increased employment for people with disabilities c) a reduction of economic costs of poor WASH such as: disease treatment; water pollution, which adds to household cost of safe freshwater; lost time required to access water or sanitation; barriers to rural economic development and d) improved access of girls and boys to education and e) increased enrolment of children with disabilities in school

Water Resource Management

Long-term benefits for improved water resource management are expected to be: a) more effective maintenance and sustainability of water resources; and b) more even geographical spread of limited water resources.

State legitimacy

Improving state legitimacy is an important indirect benefit of improving service delivery to communities. These expected outcomes to which the program will contribute are a) citizens consider the state as rightfully holding and exercising political power¹³; and as a consequence, b) stability and peace.

Civic Participation

Increasing voice and participation in local planning and decision-making is an important outcome of community based service delivery, particular, for women, people with disabilities and other members of socially excluded groups. This will also lead to public health, education and economic development benefits as described above.

6.3 End-of-Program Goals: The Results

At this level, the two end-of-program goals are summary statements of what the program is expected to achieve *within* the eight year time frame. The first is related to water, while the second is related to sanitation. These outcome statements will be broken down into

¹³ As defined by Gilley (2006).

more specific behavioural (or performance) outcomes in the following sections. Here definitions are provided that allow us to communicate clearly the intent of the Program, and ensure that the monitoring and evaluation system correctly measures progress against agreed expectations.

End-of-Program Goal 1:

Rural communities have sustainable and equitable access to and utilisation of safe water

The GoTL Strategic Development Plan articulates the aim to increase access of rural populations to safe, reliable and sustainable water from the 2010 level of 57%, to 75% by 2020 (GoTL, 2011a). Although the Program is directly concerned with meeting this target, there are additional outcomes relating to water service delivery in the Program goal statement that require further definition. These are definitions of rural, access, sustainability, equitable, and safe water. Utilisation is defined in the outcomes relating to expected community behaviour changes discussed below.

Rural is defined by the GoTL 2010 Census as all areas outside Dili and district town boundaries, unless they have the following characteristics: a) a population of about 2000 people or more; b) less than 50% of its population employed in agriculture/fishing and the remaining people in the modern sector; c) have electricity and piped water; and d) have access to schools, medical care and recreational facilities (GoTL, 2011b).

Access to water is defined by the GoTL draft Rural Water Supply Guidelines at the unit of the *aldeia*. It means that: a) at least 80% of households within the *aldeia* are less than 200 metres or five minutes round trip walking time from the collection point; and b) no more than 100 people are served at the collection point (GoTL, 2010). Whether a person can access water and sanitation facilities depends on whether they are: available; affordable; geographical or physically accessible and socially and culturally acceptable to the individuals or group of people it is designed for. Barriers which prevent access include factors that influence the ability of individuals, households or communities' abilities to access WASH (demand side) as well as features of the service delivery system that prevent or limit uptake of the service (supply side). Some individuals or groups face more barriers than others (Narayanan et al, 2011).

Sustainable is defined both in terms of environmental sustainability, and sustainability of the water service delivery. Environmental sustainability is focused on two levels of water resource management. At the macro level, maintaining water sources over the long term in the face of population growth, climate change, and changing land use patterns; and at the micro level, protecting individual sources from contamination. With regard to sustainability of water service delivery systems, this is defined as ensuring that water systems are fully functional for twenty years, in line with the GoTL draft Rural Water Supply Guidelines (GoTL, 2010). This requires quality survey, design, construction, and community engagement and the development of an effective operations and maintenance system.

Equitable access and utilisation is complex in water and sanitation programs and requires special definition. *Annex 5* provides a more detailed treatment of equity issues in the Program.

Equitable access is about recognising that some groups of people require different resources and support to overcome attitudinal, environmental and institutional barriers that prevent them from having the same opportunity as others to use and benefit from improved water sources. This means adopting a socially inclusive approach to planning and management of water supply systems.

Safe water is considered to be from a safe (or ‘improved’) water source, which the GoTL draft Rural Water Supply Guidelines defines as a protected dug well or borehole having a perennial ground water table no less than 3 metres from the ground surface; a protected spring, piped or not; or a protected rainwater collection system. Protected here refers to being free from contamination, especially human and animal faeces, and applies to the source itself as well as the drinking water chain from source to consumption (GoTL, 2010).

End-of-Program Goal 2:

Rural communities and selected schools have sustainable and equitable access to and utilisation of improved sanitation

The GoTL Strategic Development Plan articulates the aim to increase communities with significantly improved sanitation facilities from the 2010 level of 25%, to 55% by 2015 (GoTL, 2011c).¹⁴

Rural communities (*aldeias*) are defined in the same way as in the first End-of-Program Goal, but may include sanitation activities in a number of selected schools.

Improved Sanitation is defined by the draft GoTL Sanitation Policy as the safe management and disposal of liquid and solid wastes, and the practice of improved hygiene behaviours. This includes ending open defecation by using and each household maintaining a hygienic toilet¹⁵ all of the time; ensuring the safe disposal of animal and human excreta, especially child and infant excreta all of the time; and hand-washing with soap at the five critical times of after defecation, after cleaning a child’s bottom, before preparing food, before feeding a child, and before eating (GoTL, 2011).

Sustainable: The GoTL Sanitation Policy defines three areas that heighten the likelihood of sustainable access to and utilisation of improved sanitation: First, it requires individual, household, and community sanitation and hygiene behaviour change underpinned by genuine awareness of the costs of poor sanitation, demand for change,

¹⁴ The SDP actually commits to 40% rural access to improved sanitation by 2020, but this is a typographical error.

¹⁵ At Policy Statement 5 and 6, the Sanitation Policy details the definition of a hygienic household toilet. It includes a hand-washing facility. The Ministry of Education has guidelines that define school latrine standards, and the Ministry of Health does the same for latrines within health facilities.

and a willingness to pay for improvement. Second, it requires the operation of a functioning local market for sanitation goods and services. Both are underpinned by an enabling institutional environment, including clear roles and responsibilities and appropriate financing (GoTL, 2011).

Equitable: *Annex 5* provides a more detailed treatment of equity issues in the Program.

Equitable access is about recognising that some groups of people require different resources and support to overcome attitudinal, environmental and institutional barriers that prevent them from having the same opportunity as others to use and benefit to access improved sanitation. This includes; adoption of universal design guidelines; separate toilets for boys and girls in schools; males and females in public places.

6.4 Overview of the Program Design

End-of-Program Outcomes: Working with Government to Achieve Results across the Sector

An important feature of the Program is that it works directly with government to bring about improvements in RWASH service delivery. This also contributes to GoTL's legitimacy by supporting it to deliver services effectively (*See Section 6.2*). However, there are a range of actors in the RWASH sector, all of which need to adopt certain changes in the way they do things if we are to reach the expected goals or results by 2020. These include household members, water user groups, community leaders, school students and staff, private sector contractors, and non-government organisations – these groups are called the **indirect beneficiaries**. Although the Program will not work directly with these groups, it will work with district and central government departments as the **direct beneficiaries** to bring about these required changes. Behaviour changes of indirect beneficiaries are a direct result of improved service delivery by government. Even though these outcomes are somewhat diluted by working through the government intermediaries, they are a measure of government service delivery performance, and are expected to be achieved (or significantly progressed) within the eight year time frame.

Exceptions to this arrangement relate to '*NGO and private sector outcome 6: NGOs effectively support communities to hold service providers to account for RWASH services*'. Here, there is a rationale for supporting NGOs directly to promote community voice. Direct engagement with NGOs and private sector is also envisaged for *NGO and private sector outcome 1, 2 and 4*, however this is a transition arrangement for (at most) the first four years of the program.

Outcomes relating to government direct beneficiaries are grouped into four main areas. First, the Program will focus on both **District** and **Central government** ministry personnel. Outcomes at these two levels will be further divided into those concerned with direct **service delivery** (e.g. construction of facilities or delivery of hygiene promotion activities); and those concerned with the **management systems** required to

deliver services (e.g. leadership, financial and human resource management, and information systems management).

Intermediate or contributing outcomes are shown in bold under each key outcome. An illustration of this logical structure is provided at *Annex 3*.

Why so many outcomes?

In order to keep the focus on results, this design provides a description of expected outcomes (or behaviour changes) for all direct and indirect beneficiaries across the WASH sector. Given the number of stakeholders that have important roles to play across the sector, this means that there are a larger number of outcomes than is typically seen in a program design document. It is important to recognise that the wide range of outcomes is more about providing greater clarity about expected results for each group involved in the program, rather than representing a program with a scope that is too broad to be implemented. Experience has shown that vague designs with broad outcomes become very difficult from a performance management perspective. Early and careful specification of outcomes will provide the basis for effective strategic and operational planning, and the foundation for designing an effective monitoring and evaluation system. It also makes the Program logic far more transparent – the reader can see the full range of stakeholder behaviour changes required to achieve the higher order outcomes.

It is also important to recognise the need to work across a wide range of stakeholders in a program of this magnitude. A tightly focussed program working with a limited number of beneficiary groups would pose a risk in terms of the absorptive capacity of a small number of government personnel.

Interventions to Achieve Outcomes: What the Program Will Do

As discussed earlier, the design allows the program to be responsive to the context, and to allow improvement or innovative approaches to interventions. Equally, a whole-of-sector program cannot be fully predicted and designed eight years in advance. However, this design does provide guidance on the interventions that are expected to be employed to achieve the outcomes described. The program is expected to use a range of interventions rather than rely on a narrow focus of technical advice and formal training. After each group of outcomes for the **direct** beneficiaries, the expected intervention approach will be briefly described. In *Annex 2*, a more detailed treatment of these interventions is provided. These descriptions in *Annex 2* will include important principles that must be evident as these approaches are designed and implemented. Currently, the range of intervention options include: a) Pilot testing of service delivery innovations; b) progressive use of GoTL PFM and procurement systems through sector budget support; c) policy engagement by AusAID, TA personnel, and GoTL partners (including high quality M&E and research to inform policy); d) technical assistance personnel, on-the-job training and mentoring (i.e. policy advice, operational contractors, skills development)

and scholarships; e) funding and procurement of selected enabling infrastructure. Other suitable interventions may emerge over the life of the program. There are various outcomes across the Program for which sponsored scholarships and short-term training *may* be appropriate Program activities. Funding assets procurement (e.g. motorbikes, mobile phones) for improved services is similar – the particular outcomes for which it is a relevant activity have not yet been defined. Lastly, some LTAs (e.g. Monitoring and Evaluation, Social Inclusion, Training/Learning Development) will work across various outcomes. **A schematic of TA personnel and a GoTL organisational chart is provided at Annex 7.**

6.5 Indirect Outcomes at the Community Level

6.5.1. Community Outcome 1:

Rural households (and selected school students and staff) adopt hygienic behaviours

BESIK will work with government to bring about the **adoption of critical hygiene behaviours by rural households across Timor-Leste**. It will also stimulate **hygiene behaviour change by students and staff within schools selected to participate in sanitation pilots and subsequent scale-up**. These behaviours are identified by the draft GoTL Sanitation Policy and contribute to sustainable access to and utilisation of *both* a) safe water and b) sanitation. They are grouped accordingly below:

Hygienic Water-Related Practices: Rural households (and schools) use an improved drinking water source; rural households (and schools) preserve a safe water chain from source to consumption; and rural households (and schools) carry out safe management and disposal of wastewater.

Hygienic Sanitation-Related Practices: Rural households (and schools) wash hands with soap at the five critical times of after defecation, after cleaning a child's bottom, before preparing food, before feeding a child, and before eating; rural households (and schools) use and maintain¹⁶ a hygienic toilet all of the time; and rural households ensure the safe disposal of animal and human excreta, especially child and infant excreta all of the time.

6.5.2. Community Outcome 2:

Water User Groups and the communities they represent participate in sustainable planning and monitoring of the construction and rehabilitation of water supply systems

As with the current phase, BESIK's support to SAS will continue to ensure **Water User Groups (GMFs) and the communities they represent engage in decisions about the planning and building of systems, through the socially and gender inclusive Community Action Planning (CAP) process**. This is a pre-requisite for both equitable

¹⁶ Maintain here refers to cleaning, rather than more substantive hardware maintenance (which is captured under *Community Outcome 4*)

and sustainable water access. Within the bounds of piloting and scale-up, BESIK will also bring about appropriate **participation of school-based water user groups in the planning and building of water supply systems within school boundaries**. This will be through stronger linkages with the GMF for the water system within which the school resides. This will require coordination with MoE and AusAID's education portfolio.

Moreover, BESIK will extend Water User Groups' contribution to water access and utilisation. As well as meet their own responsibilities, **Water User Groups will begin to hold contractors and GoTL¹⁷ to account for the construction and rehabilitation of water supply systems**. GMFs may do this directly with SDFs, via *succo* councils, district and sub/district administrations, or through a different mechanism that emerges during the next eight years. The new phase will adopt an evidence-based approach and endeavour to institutionalise mechanisms where possible (e.g. community sign off on a completed water system before a final payment is made to a contractor). Sometimes, 'holding to account' might mean advocacy, either directly or through intermediaries (e.g. media). It need not always be adversarial. Sometimes, it may be enough to merely make SAS managers aware of community needs and perspectives.

Separate Canberra-based AusAID funding to international NGOs to provide RWASH services will also be available to support the evolution of these mechanisms, and BESIK will assist GoTL to learn from and respond to them. Combined, this should gradually foster a scalable system that enjoys GoTL ownership and builds its legitimacy. Learning will feed into broader policy discussions about any country-wide community development approach.

6.5.3 Community Outcome 3:

Water User Groups maintain water supply systems and monitor more complex repairs by contractors and GoTL

Under this outcome, the new phase will boost its focus on **Water User Groups undertaking ongoing operations and maintenance of water supply systems**. This includes raising and managing community funds, protecting water sources from contamination, and simple upkeep of systems in line with the draft GoTL Rural Water Supply Guidelines. BESIK will work through SAS to support Water User Group O&M. This is discussed under *District SD Outcome 2*.

The other behaviour change sought under this outcome is that **Water User Groups hold contractors and GoTL¹⁸ to account for repairs**. This is merely an extension of the GMF accountability role discussed under *Community Outcome 2*. The draft GoTL Rural

¹⁷ This includes District SAS, District Administrations. It includes MoH and MoE Infrastructure units where school or health facility systems are within the bounds of the community system that a GMF is concerned with.

¹⁸ For *aldeia* systems, this is District SAS. But where school or health facility systems are within the bounds of the community system a GMF is concerned with, then GoTL here may include MoE or MoH Infrastructure units. Contractors are also likely to be carrying out repairs in the next eight years. The design of the O&M pilot will need to define all these responsibilities.

Water Supply Guidelines define the repairs GoTL is responsible for and this will be elaborated further as part of the O&M pilot design.

6.5.4 Community Outcome 4:

Rural households construct or purchase and maintain hygienic latrines, and communities clean and maintain school latrines

This outcome refers to household attainment and maintenance¹⁹ of an hygienic latrine, which is defined by the draft GoTL Sanitation Policy, and includes a hand-washing facility. It contributes to End-Of-Program Goal 2 concerning improved sanitation.

The first expected behaviour is that **households construct or purchase and then maintain a hygienic latrine**. Self-constructed toilets are seen as a good first step, but ultimately the desired behaviour is that households purchase more hygienic and durable latrines from the private sector. The second expected behaviour is that **disadvantaged households²⁰ access and maintain a latrine with support from their community or a GoTL hardware subsidy**.

School latrine construction will fall within AusAID's education portfolio, with which BESIK will coordinate. Within the scope of pilots (see *Central SD Outcome 4*), BESIK will facilitate parents associations, school administrations and water user groups to clean and maintain school latrines.

6.6 Indirect Outcomes for the Private Sector and NGOs

6.6.1 Private Sector and NGO Outcome 1:

Private sector contractors and NGOs conduct quality water system construction and repairs that represent good value for money

For this outcome, both quality and the scope of repairs for which NWSD is responsible are defined by the draft GoTL Rural Water Supply Guidelines. Value for money is considered to be spending the least possible on costs while maintaining the highest possible quality, efficiency and effectiveness of construction or repairs.

So that **private sector (and NGO) contractors conduct quality water system construction that represent value for money**, AusAID and NWSD will pursue policy engagement with central agencies responsible for decentralised funding and contracting systems. The intent of this engagement will be to encourage reforms that ensure contractors are held to account for quality works (for example, through greater SAS or community monitoring, supervision and approval of works). It will be supported by the demonstration effect of direct BESIK funding for high quality water system construction and rehabilitation by contractors and NGOs.

¹⁹ Maintenance here refers to upkeep beyond simply cleaning (which is captured under *Community Outcome 1*). For example, it may require replacing spare parts.

²⁰ Defined by the Sanitation Policy (see *Annex 1, Part 5e*)

So that **private sector contractors (and NGOs) conduct quality water system repairs that represent good value for money**, BESIK will ensure that the design and pilot phase for the new O&M system assesses and addresses the drivers of poor quality works. The findings will feed into the policy engagement activities described above.

To achieve this outcome, BESIK will do:

- **Direct funding of water system construction and rehabilitation** by NGOs and contractors. This funding will be used to support SAS demonstrate its impact on the quality and sustainability of systems.

6.6.2 Private Sector and NGO Outcome 2:

Private sector suppliers make a range of affordable spare parts available for maintenance of rural water supply systems by Water User Groups

Private sector suppliers include importers, wholesalers, producers and retailers of spare parts for water supply systems.

If needed, targeted interventions that stimulate adequate private sector spare parts distribution will be designed into the O&M pilot (see *District SD Outcome 2* and *Central SD Outcome 2*).

6.6.3 Private Sector and NGO Outcome 3: Private Sector suppliers market and make a range of affordable sanitation and hygiene products available to rural households

‘Sanitation and hygiene products’ refer to materials to construct latrines (cement, moulds etc) and soap. The actual performance change expected here is that **private sector suppliers will: import or produce a range of affordable products including those that allow universal access; market them attractively; and distribute them through an efficient and sustainable supply chain.**

For latrines, “a range of affordable” is defined by recent BESIK-funded formative research in relation to the characteristics and drivers of household demand and the cost of supply in the latrine market. This research will need to be updated during the next phase. BESIK will work with the Department Health Promotion and Education(DHPE) to build on the foundation of the current phase by supporting companies to take up the affordable latrine kit and marketing ideas developed with assistance from IDE Cambodia, and feeding learning back into ongoing refinements. Other opportunities to improve the efficiency of the market may also be taken based on analysis e.g. improving supplier access to information about the scale of demand, and ways to expand their business, such as commercial loans. The private sector will also be able to leverage off national sanitation and hygiene promotion programs overseen by MoH (see *Central SD Outcome 5*) Formative research currently underway will help define any desired change in private sector supply and distribution of soap products. Early indications are over 90% of people can access soap, but retain it for special occasions. It is not yet clear whether affordability is a real constraint to more regular use.

6.6.4 Private Sector and NGO Outcome 4:

NGOs effectively facilitate community participation in sustainable planning and monitoring of water supply system construction and rehabilitation

This refers to NGOs' facilitation of the CAP process in selected communities. NGOs will play this role in both of the following scenarios: First, where NWSD (possibly SAS in the future) contracts NGOs to facilitate the CAP process for GoTL-funded systems²¹; second, as part of an NGO- or donor-funded system. Either way, their performance should be in line with the draft GoTL Rural Water Supply Guidelines.

In both scenarios, BESIK will bring about effective NGO performance by supporting SAS to effectively monitor the quality of NGOs' work (see *District SD Outcome 1*). BESIK will also support both SAS and NWSD to influence NGO work through the national WASH Forum and district coordination (see *District MS Outcome 2* and *Central MS Outcome 2*.)

6.6.5 Private Sector and NGO Outcome 5:

NGOs effectively carry out defined functions in sanitation and hygiene behaviour change

This refers to NGOs performing their agreed roles in a nationwide approach to sanitation and hygiene behaviour change (e.g. facilitation of community-led total sanitation processes at the community level – see *Analysis Annex 1, Part 5eiii*). The approach will be designed, piloted, and taken to scale under *Central SD Outcome 3*.

6.6.6 Private Sector and NGO Outcome 6:

NGOs effectively support communities to hold service providers to account for RWASH services

This refers to NGOs helping communities, Water User Groups and potentially Water User Group federations or other civil society actors, including women's groups; Disability Persons Organisations to hold GoTL and its contractors to account for their service delivery roles (*Community Outcome 2*). NGO support might include providing forums where Water User Groups can link together, providing simple organisational capacity building, or better connecting community groups with government. BESIK's approach to supporting this function is described under *Community Outcome 2*. This support may be provided either directly or indirectly.

6.6.7 Private Sector and NGO Outcome 7:

Private sector companies deliver effective national hygiene promotion campaigns

This refers to the potential role of large companies experienced with effective marketing strategies in the delivery of national hygiene promotion campaigns – either partnered with or contracted by government. This is explained further under *Central SD Outcome 5*.

²¹ This will usually be done with SDFs.

6.7 Direct Outcomes for Service Delivery by District and Central Government Agencies

This section describes the end-of-program outcomes relating to service delivery (SD). These are outcomes that the program is working on directly with District and Central Agency beneficiaries. The first part relates to water supply and the second to sanitation and hygiene.

Service Delivery Part 1: Water Systems

The GoTL Strategic Development Plan states that GoTL aims to install 400 water systems before 2015. This is expected to result in an additional 25,000 households with access to water. In terms of schools, GoTL aims to bring piped water to the boundary of 275 selected schools that are within 500m of an existing supply over five years to 2015.

6.7.1 District SD Outcome 1:

District SAS officers effectively plan and manage the construction and rehabilitation of rural water supply systems

A typical district SAS office (of which there are 12) includes a SAS Manager, CWSDO (responsible for community engagement), DTO (responsible for survey, design, contractor supervision), and several sub-district facilitators (SDFs, who directly facilitate community engagement, facilitate CAP, help establish GMFs, collect SIBS data (water and sanitation information system), and monitor contractor performance). These roles vary from district to district, and would need to evolve further with the design of any system for repairs. There are 88 SDFs (22 female) in total. The CWSDO, DTO, and SDF positions were all created during BESIK's current phase.

The District SAS CWSDO, either by mentoring SDFs or by monitoring contracted NGOs, will ensure water user groups and the communities they represent inclusively plan and monitor the construction and rehabilitation of community water systems. This support ensures that there will be equitable access to water systems, that water sources are protected, that there will be acceptable levels of environmental impact, and that communities can monitor the quality of contractor works and report to SDFs accordingly.

With occasional support from Dili-based NWSD staff, the SAS Manager and District Technical Officer will:

- Undertake **quality** survey and design (including bills of quantity) for construction and rehabilitation of community water systems.
- Effectively participate in selection and briefing of competent contractors for the construction and rehabilitation of community water systems, **monitor and verify their work**, and report on its quality to District Administrations.

Note that it is possible that these arrangements may change if NDA and/or MoSATM engage their own engineers at the district level, as part of or separate to any national community development program.

For this outcome, BESIK will do the following:

- **Mentoring:** As under the current phase, *12 district-based Community Development Officers LTA (local), three region-based LTA District Engineers, and three District Engineer Assistants* will mentor and train CWSDOs and DTOs respectively. Their role will be to build capacity. However, where CWSDO or DTO positions are not filled, or during peak workload periods, they will carry out limited in-line functions.²² The scope of in-line work will be explicitly negotiated on a case-by-case basis. From Year 4, these TA personnel will phase out based on district-by-district capacity assessments. If the Steering Committee assesses they will be needed for the long term, the feasibility of GoTL contracting them directly will be explored.
- **Formal training sessions:** This will include a series of 2-3 day training workshops with approximately 20 participants (eight in Dili and seven in district locations) with oversight from the LTA Engineer and input from Community Development Officers and LTA District Engineers.

6.7.2 District SD Outcome 2:

District SAS Officers effectively carry out repairs and facilitate community management of operations and maintenance of water supply systems

A national operations and maintenance system will be fully designed and rigorously tested in pilot districts before it is taken to scale (see also *Central SD Outcome 2 and Community Outcome 3*).

Expected outcomes of the final system will include the following:

- The District **SAS will monitor repair needs, and ensure they are met – either by direct implementation or contracting. Where repairs are contracted, SAS will monitor contractors to ensure repairs of water systems are to standard.** These are repairs outside the responsibility of GMFs, as defined by the draft GoTL Rural Water Supply Guidelines e.g. complex operations, pumps, and inter-village pipelines.
- The **District SDFs will facilitate and mentor community Water User Groups to effectively plan, raise funds for, and undertake operations and maintenance of water supply systems** including protection of water sources from contamination.

For this outcome BESIK will do the following:

²² For example, BESIK advisors report that in 2010 District Engineers verified approximately 30% of designs prepared by SDFs. Note that ‘in-line’ work here would still require mentoring of SAS staff, particularly SDFs.

- **Pilots:** Assisting GoTL to trial and establish an efficient and effective maintenance system
- **Mentoring** by CDOs and District Engineers (see *District SD Outcome 1*)
- **Formal training sessions:** The scope of these will be designed with the pilot itself (see *Central SD Outcome 2*). It is estimated that 23 workshops (two in Dili and 21 in district locations) will be required with oversight from LTA Engineer and inputs from LTA District Engineers and Community Development Officers.

6.7.3 Central SD Outcome 1:

NWSD officers effectively oversee the quality of construction and rehabilitation of water supply systems

For this outcome, Dili-based NWSD officers will contribute to the quality of rural water supply systems by supporting District SAS achieve *District SD Outcome 1*. Agreed performance developments are set out below.

The National Water Services Department (NWSD) will **fund and conduct training to SAS staff to operate equipment for survey and design** (e.g. survey pegs, GPS systems and cameras). They will also **verify the quality of water system designs and bills of quantity and promptly submit these to the NDA/MoSATM**.

NWSD will **provide occasional technical support for survey, design, and contractor supervision** where DTOs are unable to address more complex technical issues.²³

Lastly, where necessary, **NWSD will contract NGOs to meet Community Action Planning needs that SDFs cannot meet** (see *Private Sector and NGO Outcome 4*). If contracting functions are devolved to districts, this role could be taken up by SAS (See *Central MS Outcome 2*).

For this outcome BESIK will do the following:

- **Mentoring:** A 0.5 FTE²⁴ LTA Engineer will mentor staff within the DWSD.

6.7.4 Central SD Outcome 2:

NWSD and Other Central Agencies rigorously design and pilot, and carry out their defined functions within, a new rural operations and maintenance system

An important feature of the new phase's work in the water sub-sector is helping **NWSD to lead the rigorous design, pilot, and subsequent scale-up of a system for repairs, operation and maintenance**. Currently Water User Groups are responsible for minor repairs, operation and maintenance and NWSD and SAS responsible for major repairs beyond the GMF's capability. NWSD has a central warehouse that can provide spare parts to SAS district offices to conduct major repairs. BESIK will assist NWSD to

²³ There are currently seven staff in the P&D Directorate. Only two are responsible for rural water. They are already fulfilling the roles described for them in this section.

²⁴ The rest of this advisor's time would be spent designing, piloting, and scaling up the system for repairs, operations and maintenance. This will involve working with the same P&D staff.

establish an improved system for major repairs, operation and maintenance. This is likely to involve contracting routine surveillance and maintenance and emergency repairs.

The pilot design phase will result in the decision of whether and to what extent to incorporate upkeep of systems within school and health facility boundaries. The pilot will be designed to potentially be applied beyond the water sub-sector to other infrastructure. Lessons will feed into BESIK's policy engagement with central agencies, for example around national community development approaches. Lastly, the pilot will be used to trial other critical systems reforms e.g. PFM, and human resource management.

NWSD will both coordinate the pilot and carry out its defined functions within it. Other central agencies will also carry out their relevant functions. Until the new system is defined, these outcomes cannot be predicted.

For this outcome BESIK will do the following:

- **Policy engagement:** NWSD and AusAID will work to influence MoSATM, NDA and MoF for alignment of policies, systems, and resourcing required to: a) implement the pilot; b) take the pilot to scale within the water sub-sector c) adapt the pilot's lessons to other small-scale rural infrastructure upkeep. A detailed plan for this work will be included in the policy engagement strategy developed by the BESIK Steering Committee (*see Annex 4.*)
- **Progressive use of GoTL PFM and procurement systems:** Following fiduciary risk assessment and negotiation between AusAID with GoTL, the program will consider funding pilots and scale-up using GoTL financial management systems in the form of earmarked sector budget support for operations and maintenance funding and technical assistance personnel. This will help strengthen GoTL systems and incentivise GoTL to allocate their own funds to the pilot and scale-up. This approach is discussed in more detail at Section 7.7 and *Annex 2, Part 3.*
- **Pilots:** A 0.5 FTE²⁵ *LTA Engineer* and limited *STAs O&M Systems* will manage the technical elements of pilot design, testing and oversight. A rigorous impact evaluation using quantitative and qualitative methods will produce real time information on whether and why the piloted systems reforms are improving water system upkeep. This evaluation will be designed and managed by the *LTA Monitoring and Evaluation* as part of BESIK's M&E Plan (*see Section 7.9*). A *team of STAs (local)* will be required for enumeration and data entry²⁶ and the *LTA Data Manager (local)* will conduct data analysis.²⁷
- **Training and Mentoring:** The M&E Specialist will manage, train and mentor the evaluation team described above. The LTA Engineer will ensure sufficient

²⁵ The other half of this LTA's time will be spent providing mentoring to achieve *Central SD Outcome 1*

²⁶ These may be engaged directly or through a specialist research institute/agency,

²⁷ The number of team members will be determined during the evaluation design. The estimated budget for this evaluation is AUD 50,000.

training and mentoring is provided on the technical side. The scope of this will be determined during the pilot design.

6.7.5 Central SD Outcome 3:

NWCQD perform groundwater management functions critical to sustainable rural water supply

In line with its limited resourcing, the National Water Control and Quality Department (NWCQD) will:

- Continue to **undertake hydrogeology and water resource vulnerability mapping**, which will in turn lead to more sustainable and evidence-informed planning and budgeting within SAS and NWSD (*District MS Outcome 1 and Central MS Outcome 1*).
- Establish a **database of water source locations and characteristics** to inform rural water supply planning.²⁸
- **Identify adaptation strategies** to deal with water shortages during extended drought periods (for implementation by NWSD) e.g. rain water harvesting, deep wells, water rationing.

Sustainable expansion of BESIK's scope to include other NWCQD functions under the water resource management policy (once finalised) should be explored only if NWCQD GoTL budget allocation increases.

For this outcome BESIK will do the following:

- **Policy engagement:** AusAID and NWCQD will work to influence the Director-General Corporate Services in MoI, and central agencies (MoF, PMO) to allocate more appropriate resourcing to NWCQD for water resource management. This work will be defined in the Steering Committee's policy engagement strategy (*see Annex 4*)
- **Mentoring:** *LTA Water Resource Management* will mentor NWCQD staff to carry out the functions above.
- **Operational contractors:** A total of 8.75 person quarter inputs from *STAs Hydro-Geological Specialist, Database Design, and Climate Adaptation* will deliver systems design and other technically complex tasks.

Service Delivery Part 2: Sanitation and Hygiene

The GoTL Strategic Development Plan aims to facilitate the construction of community owned latrines, with a national target that 55% of rural communities will have significantly improved sanitation facilities by 2015.

²⁸ This could include monitoring of saltwater intrusion to groundwater for the Comoro and Bidau well fields, which supply Dili's water.

In terms of school facilities, the SDP states that GoTL aims to develop alternatives to flush toilets, such as composting, dry or pit latrines, for schools where it is impractical to supply water for flushing.

6.7.6 District SD Outcome 3:

DHS, District SAS, and other District Agencies carry out their defined functions within the pilot and scale-up of a nation-wide approach to sanitation and hygiene behaviour change

This outcome relates to the piloting and scale-up of a more coordinated and effective model for district sanitation and hygiene promotion. Since the pilot has not been designed yet, the relevant district government performance changes cannot be articulated here. The scope of the pilot is explained under *Central SD Outcome 4*. It will take a broad geographical scope.

For this outcome BESIK will do the following:

- **Mentoring:** A *Sanitation and Hygiene Pilot Manager LTA* and *up to 3 region-based Sanitation and Hygiene Promotion Mentors* will mentor GoTL (e.g. district public health officers, DHS sanitarians, SAS sanitation officers) and NGO staff responsible for carrying out the pilot.
- **Formal training sessions:** The scope of these will be designed with the pilot itself. It is estimated that 39 workshops will be required (at least ten in Dili and 23 in Districts) with oversight from LTA Sanitation and Hygiene Promotion and LTA Sanitation and Hygiene Pilot Manager..

6.7.7 Central SD Outcome 4:

DNSC, NWSD and other central agencies rigorously design and pilot, and up-scale their defined functions within, a nation-wide approach to sanitation and hygiene behaviour change.

An important feature of the work on sanitation and hygiene is the pilot testing of a range of different approaches. GoTL has yet to confirm a national approach, although a number of different approaches are under consideration. The Program aims to pilot a range of alternatives at the District level, although the design and management of the pilots will be situated at the Central level. GoTL has highlighted the urgent need to get services to the community. As such these pilots will cover significant geographical areas so that communities across the country are offered tangible benefits – albeit the result of different approaches. In particular, the pilots will encompass the 15 sub-districts in which MoH is establishing sanitarian positions. The pilot will test appropriate roles of these positions, other district and sub-district government officials, and NGOs.

These trials are important to Timor-Leste, as decisions are likely to affect the majority of the rural population. Decisions need to be based, in part, on good evidence. This type of evidence demands high quality monitoring and evaluation systems for the pilots. The design of each trial will also reflect the long-term human, material and financial resources available at the District level, and focus on approaches that can be sustained by GoTL.

Current options under consideration for pilot testing are listed below, and discussed in more detail in *Annex 1, Part 5e*.

Option 1: Community-led total sanitation ('PAKSI') i.e. mobilising whole communities to eliminate open defecation, wash hands with soap, safely dispose of children's faeces, and manage solid waste (known as "Limpeza Geral").

Option 2: School-led total sanitation i.e. complementing CLTS with specific activities in schools with students and teachers. This would include promoting better maintenance and cleaning of existing sanitation facilities.

Option 3: Other selected existing approaches to school hygiene education and promotion.

Option 4: Sanitation marketing i.e. stimulating private sector production, marketing and distribution of a range of affordable sanitation products, including demonstration of affordable, hygienic household toilets at SISCas (see *Private Sector and NGO Outcome 2*).

Option 5: Government provision of hardware subsidies to disadvantaged households.

Option 6: A system for sanitary surveillance in selected public places (e.g. suco headquarters, markets, health posts and community health centres).

Note that the intent of the pilot is not to decide on one particular option, but to agree on the most effective combination. Another purpose is to agree on the most effective combination of roles and responsibilities, particularly between DHS (specifically sanitarian positions) and NGOs. Both GoTL and AusAID will finance the pilots, as agreed through the Steering Committee. Given GoTL is already allocating significant funds to hardware subsidies, it is likely that BESIK funds will be directed to non-subsidy elements of these pilots.

For this outcome BESIK will do the following:

- **Policy engagement:** DNSC, NWSD and AusAID will work to influence MoSATM, NDA and MoF for changes in policies, systems, and resourcing required to: a) implement the pilot; b) take the pilot to scale. A detailed plan for this work will be included in the policy engagement strategy developed by the BESIK Steering Committee (see *Annex 4*.)
- **Progressive use of GoTL PFM and procurement systems:** Pending fiduciary risk assessment and negotiation between AusAID with GoTL, the program may fund piloting and scale-up through GoTL systems in the form of earmarked sector budget support, expected to commence in 2014. This approach is discussed in more detail at *Section 7.7*.

- **Pilot design, testing, and oversight:** An 0.5 FTE²⁹ *LTA Sanitation and Hygiene Promotion* will oversee the technical elements of pilot design, testing and oversight. And the (same) *LTA Monitoring and Evaluation* will oversee its impact evaluation, with a *team of STAs (local)* for enumeration and data entry and the (same) *LTA Data Manager (local)* for data analysis. Given the need to track household behaviour change, this evaluation will be more resource-intensive.³⁰
- **Training and Mentoring:** The M&E Specialist will manage, train, and mentor the evaluation team described above, and the Sanitation and Hygiene Pilot Manager LTA will provide technical ensure training and mentoring at the central level. The scope of this will be determined during the pilot design. The Sanitation and Hygiene Pilot Manager LTA will also be responsible for ensuring NGOs implementing the pilot are contracted.

6.7.8 Central SD Outcome 5:

DHE delivers effective national hygiene promotion campaigns directly or with private sector partners

For this outcome the focus is on designing and overseeing the delivery of effective national hygiene promotion campaigns. The outcomes are not concerned with broader approaches to hygiene promotion through clinic or community level health workers. **DHPE will be able to commission, process, interpret and use formative research** to inform the design and evaluation of national hygiene promotion campaigns that target key behavioural drivers.

The next stage is that **DHPE designs, delivers and monitors effective national hygiene promotion campaigns** using a range of mechanisms to reach communities. Preliminary analysis suggests the potential to work with private sector companies on national campaigns. This could be either companies that market sanitation products such as soap, or large companies with national coverage such as Timor Telekom.

This outcome will underpin achievement of *District SD Outcome 3*.

For this outcome BESIK will do the following:

- **Mentoring:** a 0.5 FTE³¹ *LTA Sanitation and Hygiene Promotion* will build DHPE capacities specified above. Given only one staff member is devoted to this work in DHPE, and it is a new way of working for the Department, LTA support is expected for the full eight years.
- **Operational contractors:** An *STA Hygiene Marketing* will conduct campaign development and sanitation marketing work with the private sector.
- **Policy engagement:** AusAID and DNSC will work to influence MoH, MoF and PMO to ensure a supportive policy framework and resourcing for national

²⁹ The other half of this LTA's time will be spent providing mentoring to achieve *Central SD Outcome 5*

³⁰ The estimated budget for this evaluation is AUD 100,000.

³¹ The other half of this LTA's time will be spent contributing to *Central SD Outcome 4*

hygiene promotion. At Year 4, MoH willingness and capacity to directly contract the above operational contractors will be discussed. This may lead to a co-financing agreement within which AusAID agrees to provide **earmarked sector budget support** (*see Section 7.7*).

6.8 Direct Outcomes for Management Systems Required by District and Central Government Agencies

This section describes the end-of-program outcomes relating to management systems (MS) required to support service delivery at the District and Central level. As discussed in *Section 5*, an important feature of the Program is that it will only work in areas that are likely to have a direct impact on better service delivery. As the Program evolves, these outcomes and their associated interventions will need to be regularly assessed for adequacy of progress contributing to service delivery.

Major contextual changes such as decentralisation reforms will also need to be taken into account. In addition, any significant changes from planned organisational restructuring will need to be considered.

The first part addresses management performance outcomes at the District level and is divided into two streams. The first relates to planning, budgeting and monitoring, while the second relates to resource management. Central agency management systems are addressed in the second part.

Management Systems Part 1: District Level GoTL

6.8.1 District MS Outcome 1:

District SAS and DHS effectively plan, budget and monitor for equitable and sustainable service delivery

SDFs in SAS will **collect and report accurate and timely information for the national water and sanitation information system (SIBS)**. This will feed into monitoring at the national level, and will also assist with identifying maintenance needs. District SAS will **use credible SIBS data to submit (and update) annual plans and budgets** through the NWSD Budget Working Group on both the capital and recurrent sides (e.g. goods and services). These plans will progress to reflect a multi-year perspective over time. There will be an appropriate balance of budget allocation between: construction or rehabilitation, and operations and maintenance; capital, goods and services, and salaries or wages. Budgets will be based on quality costing. Plans will apply Rural Water Supply Guideline criteria for assessing vulnerability to enable prioritisation that reflects need.

Within sanitation pilots and scale-up (*see Central SD Outcome 3*) **sanitarians in DHS may collect SIBS sanitation and hygiene data; and DPHOs and DHS Managers will use credible sanitation and hygiene data (SIBS) to plan, prioritise, monitor,**

and make successful budget submissions for, (non-hardware subsidy) sanitation and hygiene promotion.

For this outcome BESIK will do the following:

- **Mentoring and Training:** *One Dili-based LTA Financial Management Mentors (local)* will mentor District SAS to improve evidence-informed planning and budgeting. These STAs must have very strong capacity development skills (i.e. their financial management expertise is secondary).³² Also, 12 CDOs will mentor CWSDOs to ensure SIBS data is collected and reported correctly (see *District SD Outcome 1*). For DHS, as part of the design of the sanitation pilots, the LTA Sanitation and Hygiene Promotion will define the scope of mentoring and training for DPHOs and DHS Managers in planning, monitoring, and budgeting.

6.8.2 District MS Outcome 2:

District SAS and DA managers effectively manage human, financial and material resources

District SAS Managers will **demonstrate leadership** at the District level. Specific leadership behaviours to be addressed should be defined and include development of personal traits, practical skills and address the organisational and cultural context in which leadership development is taking place.

District SAS Managers will **effectively manage human resources**. Specifically this refers to a) the motivation and mentoring of junior staff; and b) provide non-financial incentives for positive staff performance; c) hold staff to account for their performance; and d) hold communities to account for their roles in water supply operations and maintenance.

DA and District SAS will be **responsive to communities** and Water User Groups through emerging accountability mechanisms (see *Community Outcome 2 and 3; Private Sector and NGO Outcome 6*) e.g. formalisation of water user groups in suco councils, or (possibly) development of GMF Federations.

Coordination will improve in several ways:

- First, District Administration will lead a **transparent and accountable coordination and oversight** mechanism for the construction and rehabilitation of MoSATM-funded water supply systems at district and sub-district levels (including within schools and health facilities), involving District SAS, schools and DHS in line with their mandates.

³² This LTA Financial Management Mentor will also contribute to District MS Outcome 2. They will provide approximately four contacts per year with each District SAS (in a mix of formats e.g. in-situ one-on-one mentoring, combined training sessions with 2-4 other Districts etc.) It is expected that both STAs will be required full-time for the first two years, after which their inputs could become more periodic and/or support could be limited to one STA only. They will be supported by the *LTA Financial Management*.

- Second, District SAS managers will coordinate government-funded repairs, operations and maintenance systems. They will also lead a coordination and oversight mechanism of donor and NGO-funded water supply system construction, rehabilitation, operations and maintenance in order to plan and oversee operations.
- Third, DHS will lead a coordination and oversight mechanism for GoTL and NGO sanitation and hygiene promotion activities at district and sub-district levels.

District SAS will also undertake **financial management responsibilities to an adequate standard**. Early work would focus on foundational skills like record keeping and would progress to more complex skills as more authority is delegated to districts e.g. asset management, contract management, operations and maintenance. This work will be closely coordinated with planned AusAID support to MoF for the rollout to district offices of the various modules of GoTL's Financial Management Information System (FMIS). This will facilitate greater accountability in the reporting of the use of government funds against their intended purpose.

BESIK will also ensure that District SAS and DHS involved in O&M or sanitation pilots have **enabling environment required to demonstrate effective service delivery**. As part of the pilot designs (repairs and O&M, sanitation, SAS management)

For this outcome BESIK will do the following:

- **Mentoring and Training:** One Dili-based LTA Financial Management Mentor (local) will mentor District SAS in financial management (see *District MS Outcome 1*). One *LTA Leadership and Management Mentor* will mentor District SAS Managers in human resource management, leadership and coordination.³³ They will expand to other districts as learning about effective interventions develop.
- **Policy engagement:** Mentoring and learning with SAS managers about the factors contributing to and hindering effective leadership and management will highlight broader policy and resourcing constraints to their performance. Some of these factors will be beyond the control of NWSD. NWSD and AusAID will work to influence MoI Director-General of Corporate Services, and central agencies (Civil Service Commission, Institute of National Administration and Planning, MoF, MoSATM and others) to make necessary policy and resourcing changes.

³³ They will be expected to provide approximately eight contacts per year with each District SAS Manager (in a mix of formats e.g. in-situ one-on-one mentoring, combined training sessions with 2-4 other Districts etc.) It is expected that the LTA will be required full-time for four years. They will be supported by the LTA Financial Management.

6.8.3 Central MS Outcome 1:

Central RWASH agencies effectively plan, budget and monitor for equitable and sustainable service delivery

NWSD, NWCQD, and DNSC will ensure a **coherent policy and legal framework** where different policies related to water, sanitation and hygiene provide logically connected and consistent direction.

- DNSC and National Basic Sanitation Department (NBSD) will secure approval the draft Sanitation Policy and update it as necessary; finalise and secure approval of the Rural Sanitation Guidelines.
- NWCQD will finalise the policy and law on water resource management and update it as necessary.
- NWSD will secure approval for the draft Rural Water Supply Policy and Guidelines and update it as necessary.

NWSD will **maintain the water information system** including its expanded sanitation/hygiene component (SIBS). This involves: attracting adequate resources for the system; entering and processing data; synthesising information; providing feedback to District SAS (or DHS – see *District MS Outcome 1*) on submitted data; holding District SAS (or DHS) to account for accurate and regular reporting; and drawing links to the HMIS and other information systems across government.

The following outcomes relate to the role of central agencies in the budget process.

NWSD and NBSD will use **credible data** to develop **successful annual action plans and appropriate budgets** (capital and recurrent) that are based on genuine district participation in the budget process, and reflect differing district needs. *Appropriate* budget will be included for: repairs, operations and maintenance; survey, design and community engagement; and subsidised latrines for disadvantaged households. A medium-term (i.e. multi-year) perspective will be progressively achieved.

DNSC will use credible data to develop successful annual action plans and appropriate budgets for sanitation activities. Adequate budget will be included for sanitation and hygiene promotion. A medium-term perspective will be progressively achieved.

NWCQD will use credible data to develop successful annual action plans and appropriate budgets for water resource management. To bring about a budget allocation in the first instance, this will be addressed by high-level policy engagement discussed below. A medium-term perspective will be progressively achieved.

MoI Directorate of Corporate Services (and the same position within MoH) will deliver a convincing submission to MoF with an appropriate coordinated budget to support appropriate water supply, water resource management, sanitation and hygiene promotion.

For this outcome BESIK will do the following:

- **Mentoring:** A *LTA Information Management Systems (local)* will mentor the NWSD IT officer to manage SIBS. The LTA will also assist NWSD ensure coherent communication across government on WASH statistics (*See Central MS Outcome 1*). The *LTA Financial Management* and *LTA Organisational Development* (see *Central MS Outcome 2*) will also provide mentoring to NWSD, DNSC³⁴, and NWCQD staff on evidence-informed planning and budgeting.
- **Operational contractors:** An *STA Information Management Systems* will provide periodic inputs on information management system design and improvement.
- **Formal training sessions:** Across the scope of this outcome, 19 training workshops will be conducted with NWSD, NBSD, NWCQD, and DNSC staff:
- **Strategic policy advice:** The LTAs Engineer, Sanitation and Hygiene Promotion, and Water Resource Management will assist GoTL identify the need for updates to policy frameworks. To actually conduct these updates, the program will engage *STAs* as necessary. *STAs* may also be engaged for just-in-time policy advice on emerging policy concerns. These will be engaged under a policy engagement operations fund (\$210,000 over four year) and/or unallocated STA (\$800,000 over four years).
- **Policy engagement:** AusAID, DNSC, NWCQD and NWSD will work to influence budget submission decisions within the MoI and MoH Corporate Service Directorates, budget allocation decisions within MoF and PMO, and subsequent re-allocation decisions within MoI and MoH. We will ensure two way feedback to ensure that budget submissions are realistic within the broader GoTL fiscal envelope and that planned increases in spending are framed against GoTL policy priorities.

6.8.4 Central MS Outcome 2:

NWSD managers effectively manage human, financial and material resources

NWSD Managers will **demonstrate leadership** at the Central level. Specific leadership behaviours to be addressed should be defined and include development of personal traits, practical skills and the address the organisational and cultural context in which leadership development is taking place.

Given it cuts across Ministries, effective coordination at the centre underpins RWASH service delivery. BESIK will pursue the following improvements to secure **effective coordination**:

- NWSD will ensure GoTL-NGO coordination through the inter-Agency WASH Forum for water system construction, rehabilitation or operations and maintenance, including management of its Sector Planning and Reporting Tool.

³⁴ The scope of work with DNSC will be coordinated with the new AusAID-World Bank-EU-GoTL National Health Sector Strategic Plan Support Program.

- DNSC and NBSD will ensure GoTL-NGO coordination on sanitation and hygiene behaviour change through the Sanitation Working Group.
- NWSD and DNSC (and the MoE and MoH Infrastructure Units) will **perform their role effectively in any coordination mechanisms around PDD, PDL, and MDG Suco etc.** These coordination mechanisms are not fully defined at the time of the design, so this outcome can be defined more clearly as additional information is gathered.

To enable implementation of new policy frameworks, DNSC, NWSD, and NWCQD respectively will ensure **adherence to the roles and responsibilities** (across government, private sector and NGOs) set by the Rural Sanitation Guidelines (in draft), Rural Water Supply Guidelines (in draft), and the policy and law on water resource management (in draft) at central, district and sub-district levels.

The following outcomes relate to human resource management.

MoI Directorate of Corporate Services will oversee implementation of **human resource development** activities within NWSD and NBSD, and progressive institutionalisation of training and other professional development (induction, on-going and ad hoc) where feasible e.g. CAP master trainers network, CLTS, SIB, financial management etc. Sometimes, this will include purchasing training services domestically or internationally over the coming years to ensure a rapid service delivery response. It will also include deciding *not* to develop human resources locally e.g. temporary engagement of expatriate engineers to meet spikes in water system construction.

In general, but most intensively within the scope of the pilots to improve SAS management practices and repairs, operations and maintenance, MoI Directorate of Corporate Services will:

- Design and implement **effective supervision systems.**
- Introduce and test staff **performance incentive and disciplinary systems.** The identification and application of incentives is linked to the leadership training discussed above. Any material incentives must be linked to the Public Financial Management reforms. Equally, the system will involve disciplinary actions that will be taken in response to poor performance.
- Develop and implement enabling **financial management** systems including delegation of financial authority to the districts; and efficient procedures for commitment, expenditure and acquittal of funds. These systems will be consistent with broader GoTL reforms to delegate greater responsibility for public financial management to districts.

For this outcome BESIK will do the following:

- **Strategic policy advice:** An LTA Financial Management (same as at *Central MS Outcome 1*) will provide periodic short-term (approx. 6 week) inputs on PFM

system reform design. This LTA will manage the two LTAs financial management mentors discussed above.

- **Mentoring:** *LTA Organisational Development* (with PFM expertise) will mentor NWSD Department of Finance, Administration and Human Resources (approx.. 20 staff) and other NWSD staff to train, mentor and monitor District SAS (manager and administrative staff) in key corporate functions.³⁵ The same LTA will manage the LTAs Leadership and Management Mentors to improve SAS management and leadership (see *District MS Outcome 2*.)
- **Training:** **Sixteen training events** with oversight from the LTA Financial Management and LTA Organisational Development, closely linked with planned AusAID support for improved public financial management training across GoTL

6.8.5 Central MS Outcome 3: Central agencies develop coherent national policy framework for Water and Sanitation service delivery

BESIK will seek to bring about a **more coherent overarching policy framework** for the sector. Priorities are that:

- Central agencies (MoSATM, NDA, PMO, MoH, MoE) ensure adherence to defined roles within an effective and efficient system for decentralised funding and procurement of small-scale infrastructure (including water systems and latrines within communities, schools, and health facilities). This includes the mandated roles of district-level line agency staff in the procurement process; avoiding overlap of roles between engineers engaged by various agencies; and ensuring accountabilities are clear and enforced.
- Central agencies ensure coherent and feasible sector coordination mechanisms underpin the SDP.
- NDA and MoSATM lead a consultative approach across government to water and sanitation infrastructure policy and planning. This includes drawing on MoI's know-how on quality and sustainability in water service delivery, and DNSC's experience with sanitation and hygiene behaviour change.
- MoI institutionalises a system for repairs and O&M for water infrastructure, and other GoTL agencies adapt lessons appropriately (e.g. MoH, MoE, MoSATM).
- Core agencies (e.g. Secretary of State (Natural Resources)) recognise and endorse water resource management as a key policy concern alongside management of other natural resources.

³⁵ The Director Corporate Services is focused on strengthening this district support function. To be effective, support from the Directorate to the Districts will need to be intensive – approximately 8 contacts (of about a day each) per person per year. It should also include a suite of professional development methods e.g. didactic training followed up with both inter-district workshops for cross-learning, topic-specific in-service training, and field-based mentoring (which should occur at least annually).

For this outcome BESIK will do the following:

- The BESIK Steering Committee will pursue achievement of this outcome through implementation of a shared **policy engagement strategy**, which will be developed at inception. Activities will include:
 - o Collecting and synthesising an evidence base for policy change. For example, the LTA Organisational Development will assist NWSD to gather District SAS staff difficulties with the current system for decentralised procurement of water system construction (PDD1, PDD2, PDL etc.)
 - o Building informal networks within and outside of GoTL
 - o Actively participating in formal Inter-Ministry (and Donor) taskforces and forums.
 - o Developing and implementing tailored communications strategies and tools so that gathered evidence carries influence
 - o Accessing just-in-time policy advice to MoI, and MoH on emerging policy issues, drawing on Timor-Leste's and international experience

If these activities prove to be insufficient, the program will explore providing more direct support to central agencies (MoSATM, NDA, MoF), such as strategic policy advice from technical assistance personnel, or training for central agency staff at the district level.

It will be important to ensure close coordination with planned AusAID support through the *Governance for Development* program that will support efficient and effective communication around budget allocations, expenditure policies and procedures, reporting, accounting and expenditure review between MoF and relevant line agencies.

6.8.6 Central MS Outcome 4: Ministry of Finance allocates adequate resources to water and sanitation service delivery

GoTL and AusAID will work to influence resource allocation across the sector, so that:

- MoF, NDA and PMO progressively bring about a more coherent budget process by aligning recurrent and capital budget approval decisions, and moving to a medium-term expenditure plan consistent with GoTL's medium-term fiscal strategy.
- MoF and PMO approve evidence-informed budget allocations for:
 - o Sanitation and behaviour change (i.e. appropriate balance between hardware subsidies and non-hardware subsidy approaches)
 - o Water supply (i.e. appropriate budgeting of construction, survey, design, community engagement and repairs, operations and maintenance.)
 - o Water resource management

For this outcome BESIK will do the following:

- As with *Central MS Outcome 1*, this will be pursued through **policy engagement** activities, which will be defined in the Steering Committee’s policy engagement strategy. Again there will be opportunities to build upon planned AusAID support through the *Governance for Development* program to improve PFM systems and practices within line ministries, and identify ways of enabling more efficient and transparent funds flow to service delivery units for improved service delivery.

7. Implementation Arrangements

7.1 Introduction

The next phase of BESIK aspires for shared decision-making and mutual accountability. This means GoTL and AusAID taking joint responsibility for planning and keeping the program on track. The implementation arrangements of the program are the means through which shared decision-making will be made real. They are outlined below, and will need to be further developed by the Steering Committee during inception. As a reference for the discussion below, Annex 7 illustrates BESIK's decision-making arrangements.

7.2 Steering Committee: Forum for shared decision-making

Joint governing arrangements for programs like BESIK are more successful where they: have balanced capacity and authority to engage in negotiations; have real rather than tokenistic decision making power; have a clear purpose; are backed up by informal development of trusting relationships; are provided with tailored and credible information about program achievements and challenges; and participants perceive real benefits and discussions achieve substantive outcomes (ODE, 2011).

In addition to regular informal contact at operational levels, a BESIK Steering Committee will carry strategic and operational responsibilities for program governance. Expected³⁶ **members** are: Director-General of Electricity, Water, and Sanitation (MoI); Director-General of Corporate Services (MoI); Director-General of Ministry of Health; Director-General of Ministry of State Administration and Territorial Management; Director of Budget (Ministry of Finance); and Minister-Counsellor, AusAID. Each member will have an official alternate representative at Director Level.

The terms of reference for and decision-making arrangements within the Committee will be agreed by members at their first meeting, which should occur toward the end of BESIK's current phase in order to guide transition arrangements. As a basis for discussion, it is proposed that the Committee meet approximately six-monthly (about February and August) and be responsible for:

- Substantive review and approval of BESIK annual plans and reporting, ensuring alignment with sector and whole-of government plans and strategies

³⁶ This will be confirmed in ongoing discussions with GoTL as part of this design process.

- Annual performance reporting to the Annual GoTL-GoA Partnership Dialogue.
- Approval of risk management assessments and managements arrangements
- Planning and commissioning of Monitoring and Review Group (MRG) missions and tasks. (At least one MRG member should be directly contracted by GoTL).
- Planning and commissioning other important analytical work.
- Coordinating BESIK and GoTL financing to the RWASH sector
- High-level oversight of managing contractor performance, including technical assistance personnel.
- Policy engagement within line agencies and with central agencies more broadly

This program's effectiveness requires active engagement from both GoTL and AusAID in the Steering Committee. Secretariat support will be required from the Managing Contractor to ensure that program information is synthesised and presented to the Steering Committee in a suitable format, and in time to process and discuss with their teams before meetings.

Significant investments will be required in the early stages to genuinely discuss the impediments to frank dialogue and decision-making within the Committee. Mutual benefit derived from participating actively in the Steering Committee will sustain engagement, so creative discussion is needed on how meetings could reduce rather than add to each partner's workload, or incorporate interesting content that attracts participation and breaks down formalities (e.g. topic-based discussions on current issues of interest, guest speakers etc.) Regular monitoring of participant feedback about the effectiveness of the Steering Committee will be carried out. It will be the role of the Monitoring and Review Group to facilitate this work (see below.)

Broader sectoral coordination will continue to be pursued through the WASH Forum (and WASH and Disability Forum) and Sanitation Working Group, with secretarial support from the Managing Contractor Provider, and more broadly through emerging sector coordination arrangements underpinning the GoTL Strategic Development Plan.

7.3 Monitoring and Review Group (MRG)

Regular strategic review by an independent monitoring and review group will be integral to BESIK's commitment to: transformative, lasting change; shared ownership; and a focus on results (see Principles Section X). As in the current phase, the MRG will assist the program access strategic and technical insights, and pursue sustainable positive change across the sector more broadly rather than just within the program's bounds. It will continue to take a constructive program improvement orientation rather than simply a critical accountability orientation. Drawing on lessons from other AusAID programs, the new phase will place more emphasis on AusAID and GoTL sharing responsibility for the MRG. This includes selecting, funding and contracting team members (Tevi et al, 2011; Teese et al, 2009; Land et al, 2010). The Steering Committee will also ensure: MRG

team members access regular, credible evidence of program achievements, challenges, and the influence of the context; and their inputs are planned well in advance, with clear outcomes and methods.

It should consist of two to three members with the following areas of expertise:

- Rural water supply, sanitation and hygiene in fragile settings
- Institutional change management
- ‘Knowledge to policy’ strategies
- Monitoring and evaluation
- Program design and implementation
- Gender and socially inclusive WASH

At least one MRG member will be contracted by GoTL.

The MRG responsibilities will include:

- At least annual in-country visits to review program performance and sector context, identify strategic opportunities, and recommend solutions to emerging challenges at both strategic and operational levels.
- Present findings to Steering Committee members (and line agency operational staff or central agency representatives as appropriate) using effective modes of communication e.g. annual sector performance scorecard to feed into agency reporting.
- Facilitate a process through which the Steering Committee draws on the MRG findings to make joint decisions about the strategic directions for the year ahead.
- Assist the Program Director and Managing Contractor translate these directions into operational planning, and appraise major updates to the medium-term work plan.
- As requested by the Steering Committee, provide just-in-time policy advice and quality assurance between annual visits e.g. comments on BESIK’s responses to emerging policy directions, or appraisal of key program documentation.

In the interests of independence, the Mid-Term Review will not be conducted by the MRG.

7.4 Other roles and responsibilities

Program Director

The new phase will see the creation of a Program Director position, contracted directly by AusAID to lead its engagement in the WASH sector, and ensure the Managing Contractor translates the directions of the Steering Committee into practice. This position is central to AusAID’s commitment to elevated policy engagement and shared ownership.

AusAID will ensure that this Program Director: understands AusAID processes, systems, and ways of working; is given the license to provide strategic direction to the program, and represents AusAID in public forums; and has the space and time to engage directly with GoTL partners.

The Program Director will be engaged in April, ahead of the mobilisation of the managing contractor. His/her responsibilities will be:

- Consistently demonstrating BESIK's commitment to shared ownership and decision making with Steering Committee members.
- Developing and maintaining an in-depth understanding of the WASH sector in Timor-Leste, and the key contextual factors impacting on it (e.g. updating analysis prior to the Mid-Term Review)
- Leading AusAID's policy engagement on WASH, including with GoTL central agencies and other development partners.
- Oversight and management of AusAID's WASH portfolio, including performance and risk management
- Strategic direction, tasking and performance management of the Managing Contractor, including *direct performance management of the technical assistance personnel* it contracts, and management of annual planning processes (commencing with an inception plan for July-December 2012)
- Building the knowledge and skills of other members of the AusAID WASH team.
- Maintaining linkages with other portfolios in the AusAID Timor-Leste Program (especially health, education, and PFM) and input into its overall policy and strategic direction.
- Maintaining strong links with the AusAID WASH Thematic Group and other WASH programs across AusAID.
- Promoting social inclusion in the RWASH sector

Managing Contractor

Unlike the current arrangements, the managing contractor (MC) in the new phase will not be responsible for strategic or operational direction-setting. This role has been elevated to the Steering Committee and Program Director. The MC's role will be to assist the efficient and effective translation of agreed plans into action.

The Managing Contractor responsibilities will be:

- Timely provision of services as specified in the BESIK Work Plan and additional tasking notes issued by the Program Director (on behalf of the Steering Committee). Some of these services will be directly provided by the MC (e.g. secretariat support), and others will require it to contract advisors, research agencies, NGOs etc.

- Preparation of Annual Work Plans documentation, once agreed through process led by Program Director and overseen by Steering Committee
- Provision of six-monthly progress and financial reports, and additional status updates and financial reports on request.
- Implementation of its specified roles in BESIK's M&E system
- Manage the performance of *administrative services* e.g. security, utilities, advisor support services (housing, vehicles).
- Recruit, mobilise, demobilise, logistically support and administer technical assistance personnel, administrative support staff, and others as specified in the Work Plan and tasking notes.
- Ensure that recruitment involves consultation and involvement from AusAID and GoTL, as agreed by the Steering Committee.
- Where appropriate to their positions, ensure TA personnel and staff have annual work plans that contain explicit capacity building strategies
- Manage a financial management system for reporting; managing, disbursing and acquitting funds; audit; and procurement. This should be in accordance with the Australian Government Commonwealth Grant and Procurement Guidelines.

The MC will be led by an Operations Manager, and supported by an administrative team (*see Annex 7*).

7.5 Annual Strategic and Operational Planning

This design explains BESIK's expected outcomes (*Section 6*), guiding principles (*Section 4*), and interventions (*Annex 2*). This is the framework within which strategic and annual planning will occur. As discussed in Section X, the program is designed to be responsive to the complex context, and wide scope as a whole-of-sector program. End-of-Program outcomes have been articulated in detail in Section 6, but detailed implementation activities have not been predicted for the life of the program as would be the case in a project. Strategic and annual review and planning processes will provide the opportunity to assess the continuing appropriateness of end-of-program outcomes, and to make detailed plans for interventions that are expected to achieve those outcomes. This requirement makes the quality and effectiveness of strategic and operational planning critical to the success of a flexible design. Without this feature, the program is at risk of drifting away from achieving the expected outcomes by focusing on narrow year-to-year activity planning, or not maintaining its relevance (working on the right things).

Strategic planning refers to decision-making processes that set the overall strategic direction of the program. This design provides this according to best knowledge to date. There will be a need for periodic checks that the assumptions underpinning this design still hold true. These assumptions relate to the relevance and feasibility of the end of

program outcomes, and whether the broad approaches to interventions are effective (the robustness of the program logic).

Principally, the responsibility for annual strategic planning lies with the Steering Committee. Annual discussions will be facilitated by the MRG (*see Section 7.3*) and the Program Director will be expected to drive a strategic perspective through program delivery.

Operational planning translates these strategic directions into feasible and cost-effective interventions and allocations of program resources. They will be presented in annual workplans. This will ensure that all partners can see how BESIK's activities are expected to lead to achievement of BESIK's end of program outcomes, and can judge whether progress is on track. To make this 'line of sight' clear, operational planning should specify the immediate (e.g. up to a year) and intermediate (e.g. 2-4 years) outcomes expected from key activities. Operational planning will be facilitated by the Program Director with the Steering Committee or its delegates, and supported by the Managing Contractor. Tracking progress against it will be the purpose of the M&E system, and the information it generates should feed back into operational planning. Again, informed support by the Steering Committee for these operational decisions is important for shared ownership of BESIK as a whole. This will be assisted by formal MRG appraisal of each BESIK annual operational plan.

While BESIK's annual plan will be separate to BESIK GoTL partners' own annual plans, they will be closely coordinated in content, and BESIK's planning calendar will align with GoTL's annual planning and budget process. The exact timing will be approved by the Steering Committee. The proposal is that BESIK: moves from financial year to calendar year planning and reporting; drafts an annual plan in around February ahead of GoTL draft Annual Action Plans; produces a final working draft of its annual plan in around August toward the end of the GoTL budget process; and then re-validated again in February the following year.

To do all this well, the MRG will need BESIK's M&E system to provide credible information in time to inform an annual review process. They will also require active engagement from GoTL and AusAID, so that any changes in direction are made jointly, transparently, and are feasible. The Mid-Term Review will be an opportunity for a more comprehensive and independent re-assessment of BESIK's strategy. It will be preceded by an update of the analysis annex to this design, and possibly additional targeted analyses around important emerging issues, as agreed by the Steering Committee.

7.6 Financial Management

BESIK's current funding mechanism includes an imprest account – this means funding is provided in advance of expenditure being incurred on the basis of an agreed work

program. In line with new AusAID corporate guidelines, this will be replaced by a reimbursed expenditure approach (quarterly or six-monthly). This also utilises an agreed work program, however the Contractor funds the expenditure and is then paid in arrears after the services have been provided. This will require a 'cost of money' component that covers the cost to the Contractor of funding expenditure for the arrears period.

Most risks will principally be addressed through contractual stipulations, such as requiring clauses stating the types of activities, initiatives or projects that can be incurred by the Contractor, plus a requirement that certain processes (such as Commonwealth Procurement Guidelines) are followed and include a requirement that an anti-fraud or fraud management policy be adopted.

Operational guidelines, service expectations and standards for deliverables will be agreed with AusAID at the commencement of the contract and then reviewed on an annual basis as part of the Annual Contract Performance Review, led by the Program Director.

Operationally, authorisation levels will be agreed for key MC staff to incur expenditure in accordance with Annual Plans and rolling cash budget. Monthly bank reconciliations will be prepared and reviewed by a senior staff member not responsible for the preparation.

A reimbursement approach requires certification on a properly prepared invoice that claimed expenditure is fully supported. Such support could be attached to the invoice or be available for inspection at the request of AusAID staff, either as part of an annual audit or as an operational random detailed inspection of support. The contract will include a clause noting that payment on the basis of the submitted invoice does not constitute acceptance of the amount as an expense if an audit or review finds errors in the invoicing. Any over payment will be repaid to AusAID.

Aspects of MC activity reporting, such as response to risk management, variations from risk mitigation strategies and incidents of fraud are particularly relevant to the financial oversight. A key element is an annual independent audit. The independent audit report should be prepared by a qualified auditor, with agreed procedures being signed off by the Steering Committee. At a minimum the audit should consider the financial report for the period and provide an opinion to the accuracy of the balances, as well as a conclusion on the soundness of internal systems and the treatment of in-country GST.

The Steering Committee will have principal responsibility for financial oversight. The principal source of information is the financial report prepared for each Steering Committee meeting, as well as the independently audited annual financial report. The financial report should be reviewed at the same time as the activity progress report and should include at a minimum: total historical expenditure; previously reported period expenditure; anticipated expenditure for the current year; anticipated expenditure for future years; anticipated work program or its cost; variations to approved activity funding.

Fiduciary risk management associated with greater use of GoTL PFM systems is discussed below.

7.7 Transitioning to greater use of GoTL PFM and procurement systems

BESIK has undertaken considerable strengthening of DNSAS and MoI systems, and to a lesser extent those of DNSC in MoH – including policy setting, planning and budgeting, human resource development, and financial management. It has also coordinated its decisions closely with GoTL annual budgets and plans, and aligns sharply behind the new GoTL Strategic Development Plan targets. This all lays groundwork for the new phase to progressively transition toward channelling AusAID funds through some or all components of GoTL's PFM and procurement systems, both up and down stream (i.e. annual planning and budgeting, disbursement, procurement, accounting, reporting, monitoring and evaluation, and audit). This proposal was well received by GoTL in the design dialogues.

AusAID recently publically committed to making greater use of GoTL systems across the Aid Program, as part of both governments commitments to the G7+ Agenda on aid effectiveness in fragile states. This commitment is reflected in the draft Partnership for Development between the two countries. The potential benefits of this new way of working are:

- It better positions the program to pursue transformative and lasting change across the sector as a whole (via policy, budget and systems change), rather than just within the bounds of the program's control.
- It tangibly demonstrates the program's commitment to shared ownership (*see Section 4.2*)
- It can build credibility for GoTL's capacity to deliver tangible improvements in frontline service delivery directly to citizens rather than using donor systems
- As a demonstration effect, it can lead to improved alignment and harmonisation of other development partner investments and lower GoTL transaction costs across the WASH sector more broadly.

On this basis, it makes strategic sense to target earmarked sector budget support toward reforms that are of fundamental importance to improving access to and utilisation of water and sanitation across the sector as a whole. The obvious candidates are the new phase's pilots in a) water system repairs, operations and maintenance (*see Central SD Outcome 2*) and b) district sanitation and hygiene services (*Central SD Outcome 3*). Both will be critical to progress against the MDG targets, require strong engagement and discussion from GoTL and AusAID, and ultimately are dependent on greater financing through the GoTL budget process.

Risks that come with moving toward sector budget support include:

- Development risks: Weak systems or shifts in political will may slow down or reduce the quality of services. Also, the availability of donor budget support may displace GoTL's own RWASH expenditure.
- Fiduciary risks: Funds may be used for unintended purposes, not properly accounted for, or spent inefficiently.
- Reputational risks: Poor quality expenditure or misuse may impact AusAID's reputation.

These risks will be managed through:

- Comprehensive Fiduciary Risk Assessment (FRA) process, in line with AusAID guidelines, during program inception.
- Continued GoTL systems strengthening in line with this design and recommendations from the FRA.
- Close and sustained policy engagement between AusAID, MoI, MoH, MoF, and other central agencies as appropriate. This will leverage off discussions on working through GoTL PFM and procurement systems and decisions already taken between AusAID and MoF under AusAID's PFM portfolio. Given fungibility concerns, it will require discussions with GoTL about budget allocations within and beyond the RWASH sector. It will also be closely integrated with the design, implementation, and intensive monitoring and evaluation of the pilots themselves.
- Ongoing monitoring and risk assessment by the Steering Committee, including through audits as agreed.

Pending findings of the FRA, financing will be transferred from AusAID to the single Treasury Account, earmarked against a particular category of budget expenditure within MoI or MoH (e.g. minor capital). Under a co-financing agreement, GoTL and AusAID would agree how this money would be spent, and the conditions it is contingent on e.g. annual external audits.

Options are for AusAID and GoTL to provide matching funds for water system operations and maintenance, and district sanitation services. A possibility for further funding down the track is earmarked sector budget support for BESIK-funded technical assistance personnel – particularly those that fall within GoTL's 'operational contractors' category i.e. those playing roles that should over time be outsourced by GoTL directly (see *section 4.6* and *Annex 2, Part 5*). The appropriateness of such an arrangement could be explored at Year Four, again drawing on AusAID/GoTL experience in the PFM portfolio.

This is a relatively new way of working for AusAID. Significant preparation will be required, the approach will be iterative and based on mutual commitments, and AusAID and GoTL will need to be able to track progress together. It is unlikely that funds transfer will be possible until 2013 at the earliest.

7.8 Timing

BESIK is an eight year program, commencing with funding approval and contracting for the first four years. Key events over the life of the program are set out below.

What	By
Inception Plan (prepared by Program Director)	May 2012
First Steering Committee Meeting	February 2012
Preparation for Mid-Term Review e.g. analysis update	April 2015
Mid-Term Review	June 2015
Design update for Y5-8	November 2015
FMA9 approval and tendering commence	January 2016
Mobilise for Y5-8	July 2016

7.9 Performance and risk management approach

7.9a Overview and Purpose

BESIK is a large and complex program that will be managed in response to its changing context. Its approach to performance management will reflect this complexity. The BESIK Steering Committee, partner agencies and implementation team will be the primary audiences of the information generated by BESIK's M&E system. There are several purposes for which they will need credible information about BESIK's performance. The M&E system design will link these purposes to the monitoring and evaluation questions that underpin the system. The M&E system will need to answer a range of questions beyond whether or not progress toward expected outcomes is adequate, and the quality of program delivery. It will also need to:

- **Support program improvement** by: monitoring the changing context and assessing its likely impact on the program and; and understanding the factors that account for *adequate (or inadequate) progress toward the end-of-program outcomes laid out in Section 6*.
- **Guide the evolving design, testing, and re-design of innovative approaches that are being trialled**, for which there is little evidence and agreement about what approaches work in Timor-Leste's context (e.g. district sanitation and hygiene promotion). This means real time detection of emergent or unexpected outcomes.
- **Help link knowledge generation and policy development**, so that policy engagement can be informed by evidence generated through the program.

- **Generate knowledge about the effectiveness of key modalities**, such as greater use of GoTL PFM and procurement systems; systematic ‘knowledge to policy’ strategies; more purposeful and tailored use of technical assistance personnel; and a stronger, more direct partnership style engagement between GoTL and AusAID. This knowledge can inform how GoTL and AusAID approach aid relationships and programs other than BESIK.

It will need to address summative, formative and developmental evaluation³⁷ approaches and be utilisation-focused. This infers a substantive investment in M&E for this program, especially given the importance of decisions in a program that is targeted towards benefits for the entire rural population.

7.9b Joint Results Framework: Demonstrating Impacts

As one part of the program’s broader M&E systems, a results framework will be designed to support the accountability relationships between the Steering Committee, GoTL and GoA, and ultimately the public of Timor-Leste and Australia. The Bilateral Partnership (in discussion) between GoA and GoTL sets the high level results BESIK’s contribution will be measured against. These align with GoTL’s Strategic Development Plan, the GoA’s Comprehensive Aid Policy Framework, and the Millennium Development Goals. The 2015 WASH targets are:

- *75% of Timor-Leste’s rural population will have access to safe, reliable and sustainable water (MDG target)*
- *55% of Timor-Leste’s rural population will have access to improved sanitation (MDG target)*

The results framework will also report national progress against indicators for BESIK’s higher level goals³⁸, in order to place these WASH targets in context. Lastly, the results framework will track **whether AusAID, MoI, and MoH jointly made their expected annual contributions** to the SDP 2015 targets. These contributions will be jointly agreed at each annual Bilateral Partnership Talks. The draft contributions for 2012 are:

- *90,000 additional rural people will gain access to safe, reliable and sustainable water supply (both Government of Australia and Timor-Leste funded water systems)*
- *20 additional schools will gain access to safe, reliable and sustainable water supply*
- *50% of new systems fully functioning after one year (an increase from 30% in 2007)*

³⁷ Summative evaluation is carried out at the end of a program when important decision about future programming are being made; formative evaluation is focused on program improvement or the establishment of baseline information; and developmental evaluation are used in highly complex settings and in the early stages of social innovation. See Gamble JA (2008) *A Developmental Primer*. The JW McConnel Family Foundation.

³⁸ These are provided in *Section 6*.

- 35,000 additional people with access to basic sanitation

2013 contributions will be selected from the indicators developed for BESIK's M&E System during program inception. They will indicate progress toward achieving the outcomes in Section 6, and will be selected by the Steering Committee³⁹.

Data will be drawn from GoTL's own information management systems, with additional data collection by the program only where this is not otherwise available. This may require professional judgment on inconsistencies between different data sources (e.g. Census and SIBS), and on data quality in general.

BESIK's M&E system will provide annual updates of progress against these high-level results in time for envisaged Annual Bilateral Partnership Talks, as well as when GoTL and AusAID need them for their own government reporting processes. The M&E system will also provide information on the likely contribution the program investment has made to these higher-order results. This assessment will be based on well informed professional judgement rather than attempting to establish proof of contribution through quasi-experimental evaluation studies. Investments in M&E will be related to the importance of the decisions that information will inform, especially in terms of more effective service delivery.

7.9c Standards of the M&E System

The M&E system design must adhere to standards established for the AusAID Indonesia-East Timor Branch (see Dawson, 2010). These standards reflect international standards for quality monitoring and evaluation systems. The Standards are available on request. To ensure that the Standards can be met, a qualified and experienced M&E Specialist will be resourced and recruited from an international search. This investment reflects the importance of evidence-based policy supported by the Program.

Of special note is the requirement for credible⁴⁰ baseline information. This is important not only to provide evidence of progress (or otherwise) of the Program against agreed outcomes for reporting purposes and program improvement, but is a powerful tool for influencing policy across the sector. Baseline studies will not be confused with needs assessments that aim to inform the evolving design and identify capacity development priorities in new areas such as human resource management.

7.9d Joint Assessment

³⁹ These need not only be at the goal level. The Steering Committee may elect to highlight indicators of progress against important lower level direct or indirect outcomes, or even key outputs e.g. finalisation of GoTL-GoA co-financing agreement.

⁴⁰ Credible in this sense means methodologically defensible – meeting international evaluation standards of study design and conduct.

Joint assessment is essential in a partnership program that is working toward mutual accountability and decision-making. The results framework and other information generated from the M&E system will be assessed jointly by GoA and GoTL during the annual Steering Committee meetings. In addition, any independent evaluations or review teams will have representatives from GoA and GoTL. During the first Steering Committee meeting, members will determine the resources they are reasonably able to contribute to joint assessments or reviews of performance. This is particularly important in the context of limited personnel with heavy workloads.

7.9e Resourcing

Approximately 7% of BESIK's budget will be allocated to monitoring and evaluation. This includes resources for managing the joint results framework; program M&E requirements; pilot studies; and independent evaluations or reviews. Dedicated M&E Resources include:

- LTA M&E Specialist with periodic inputs (*See Annex 8*)
- LTA (National) M&E Data Manager full-time
- Several STAs for technical and research inputs e.g. designing pilot elements, training and mentoring to pilot implementers, processing data etc. These may be engaged directly or through a specialist research agency e.g. university institute.
- Monitoring and Review Group
- Independent Evaluation Team (Year 4 and Year 8).
- Steering Committee field monitoring

7.9f Critical risks and risk management strategies

Risks discussed below are the major contextual factors that may impact on BESIK's success. Drawing on information from the M&E system, it will be the task of the MRG to facilitate annual discussions with the Steering Committee about the relevance of these risks, and the appropriateness of agreed strategies to mitigate them. Deciding on and overseeing management strategies will be the responsibility of the Steering Committee.

Central agencies make policy and resourcing decisions that marginalise MoI/MoH roles in the WASH sector.

The rapid expansion of funding through PDD and potentially MDG Suco for water systems and latrines has shown how quickly coordination in the sector can decline, with flow-on effects for the quality of services. BESIK partners (AusAID, MoI, MoH) will *influence* for greater policy coherence and appropriate resourcing from central GoTL agencies e.g. MoSATM, NDA, MoF (*See Section 6: Central MS Outcome 3 and 4*). But these decisions are ultimately out of their direct control. The BESIK Steering Committee will monitor GoTL developments at the central level. The M&E system will also capture the flow-on effects at district level by synthesising DHS and SAS staff experiences and views. (*see Annex 2, Part 4*).

Greater use of GoTL PFM systems is BESIK's best tool for influencing GoTL budget allocations. It, combined with implementation of the Steering Committee's policy engagement strategy, will manage this risk. (see *Annex 2, Part 4* and *Section 4.5*). It is expected that these measures will progressively build MoI/MoH's credibility across government, so that more and more they are consulted early in the policy development process, and deliver more successful budget bids. If this strategy is not effective, the program should explore more direct engagement with central ministries e.g. training for engineers employed by NDA and MoSTAM, or provision technical assistance personnel for strategic policy advice.

Human Resource Capacity

Timor-Leste's foundational human resource capacity poses various challenges. Stabilizing a fragile, post-conflict state can take twenty to thirty years,⁴¹ and Timor-Leste is only part way into the process. For various historical reasons, Timorese face constraints in levels of basic literacy and numeracy, the effectiveness of the education system, low social cohesion and high personal trauma. Timorese women have even lower levels of education than their male counterparts and are for a combination of social and cultural reasons are less likely to be formally employed, meaning the workforce is male dominated. These all influence the way capabilities emerge at the individual level. Many Timorese have not had the benefit of positive professional or organizational experience. As a result, many do not yet have the basic skills and aptitudes to absorb complex skills and knowledge and to manage modern institutions. Timor-Leste thus faces the combined challenge of shortages of staff as well as a lack of absorptive capacity in those staff that are available for work.

BESIK's M&E system will allow regular assessments of the degree of progress toward performance changes by direct and indirect beneficiaries. This is likely to include adoption of the staged capacity development model to capture degrees of progress toward independent performance.

The M&E systems will therefore allow early judgments on the feasibility of the expected performance outcomes, and adjustments as necessary. Where necessary, flow-on effects for service delivery may be managed by more direct implementation by TA personnel. If this occurs, it will be made explicit to the Steering Committee and reflected in TA personnel terms of reference.

The program is unable to adequately reach private sector, NGOs, communities, and households

This program is working mainly through government to support behaviour and performance changes across a wide range of stakeholders in the sector. There is a risk that this will dilute the program's ability to support sustained behaviour changes.

⁴¹The World Bank, World Development Report 2011: Conflict Security and Development

Again, the M&E system will regularly report on the adequacy of progress toward these ‘non-state’ behaviour changes. Where progress is inadequate, the program will either revise back expectations, invest more intensively in support to government’s enabling role, or consider direct engagement with these stakeholders where it is seen as the most appropriate strategy for supporting government-led service delivery overall.

Fiduciary risk assessment does not recommend provision of funds through GoTL PFM systems.

If the FRA concludes that the fiduciary and/or reputational risks associated with sector budget support outweigh the development risks, BESIK’s influence on sector resourcing and policy coherence will be weakened (see *Section 6: Central MS Outcomes 3 and 4*). In this case, the Steering Committee will agree on a set of measures to strengthen GoTL PFM systems, and these will be supported by BESIK and AusAID’s broader PFM portfolio. Until these measures are successfully put in place, the program will continue to rely on the MC financial management systems for program delivery. Fiduciary risk management is discussed further under *Section 7.7*.

National elections inhibit GoTL ownership

Elections are scheduled for mid-2012, coinciding with this Program’s commencement. There is a low risk that elections may trigger instability. A greater risk is that any change in political leadership threatens ownership of this Program. This design process has invested in strong ownership at bureaucratic levels, including senior management, where there is little likelihood of turnover. In the event of a change of political leadership, the Steering Committee will decide how to manage political buy-in. While it is unlikely, this may require further consultations and revisions to this design.

7.10 Summary of resources and costs schedule (Y1-4)

The resources and costs schedule for BESIK’s first four years appears at Annex 9, and is summarised in this section. BESIK’s total expected expenditure for the first four years is \$43.858 million.

By outcome, by far the greatest allocation is to the district and central government service delivery outcomes (\$25.4 million), including \$12.7m for central service delivery outcomes and \$12.7m for district service delivery outcomes. The next largest expenditure will be on direct influence of private sector and NGO outcomes 1, 4, 5 and 6 (\$7.5 million) i.e. water system construction, community engagement, and repairs; district sanitation and hygiene promotion; and promotion of community voice in RWASH service delivery. A further \$3m is allocated to district and central management systems outcomes, and \$6.5m to ‘management’ which includes:

- \$2.35m for the Operations Manager and administrative team within the Managing Contractor, and its vehicles, equipment, operations and materials

- \$1.2m for: unallocated STA inputs; and inputs of the LTA M&E and Social Inclusion that are not allocated to particular outcomes.
- \$1.8m for *external* scholarships and training (which will contribute to various outcomes) i.e. training not provided within the program.
- \$1m for policy engagement operational funds, annual plan preparation, annual audit, M&E operations, and secretarial support to the Steering Committee and sector coordination.

By intervention, the largest expense is \$12.5m for TA personnel, on-the-job training and mentoring (\$8.7m for TA personnel and \$3.8m for training and mentoring costs), which is appropriate given this program's emphasis on GoTL capacity development and limited human resource capacity. Other interventions that will see significant investments are: sector budget support for water system repairs, district sanitation and hygiene promotion (\$9.2m), expected to commence in 2014; grants to NGOs and contractors (\$7.5m, see above); and pilot design, testing and oversight relating to water system repairs and maintenance, and district sanitation and hygiene promotion (\$5.5m). In addition, \$210,000 is allocated to policy engagement operations (i.e. excluding the Program Director and TA costs), \$1.8m for external scholarships and short courses, and \$1.3m for financing of GoTL operational costs and asset procurement e.g. motorcycles, office equipment, surveying tools.

In addition, AusAID will directly incur the following costs:

- \$360,000 for inputs of the Monitoring and Review Group
- \$32,000 for AusAID monitoring and field visits
- \$1m for all costs associated with the Program Director
- \$102,000 for fiduciary risk assessment, auditing etc. relating to the provision of funds through GoTL systems.
- \$90,000 for the Independent Mid-Term Review.