

## **East Timor Delivery Strategy – Rural Water, Sanitation & Hygiene Behaviour Change<sup>1</sup>**

Australia and East Timor agreed in the *Australia-Timor-Leste Country Strategy 2009-2014* that Australia would continue to support improved rural access to clean water and sanitation. Sector delivery strategies are being progressively developed to supplement the Country Strategy.<sup>2</sup> This *Rural Water, Sanitation and Hygiene Behaviour Change Delivery Strategy* results from consultation with government and stakeholders and represents a consensus view. It is an operational guide to assist AusAID to redesign and implement Australia's water and sanitation program in East Timor.

### **1. What is the issue?**

East Timor still lacks sufficient access to clean water and sanitation. In rural areas, 63 per cent of *aldeias* have access to a system that is likely to provide safe water,<sup>3</sup> and only 39 per cent of rural households have access to adequate sanitation.<sup>4</sup> Poor access to clean water and sanitation increases morbidity and mortality and undermines people's ability to participate in education and the economy.

#### *Planning and resourcing*

There are indications that access and coverage have in fact decreased in the past ten years for a number of reasons, including the collapse of Indonesian bureaucratic systems, sabotage during periods of civil conflict and a lack of maintenance of existing water and sanitation facilities. New schools and health centres have been built with poor access to water and sanitation largely due to weak links between relevant ministries. The added strains of population growth – the rapid growth rate is set to continue with the population projected to increase by one-third between 2008 and 2015<sup>5</sup> – and the likely early effects of changing weather patterns due to climate change impacting on water catchment areas add further challenges to planning and resourcing.

The current government's commitment to rural water supply is strong,<sup>6</sup> with its budget increasing six-fold from US\$1.5 million in 2008 to US\$8.9 million in 2011, in addition to a \$20 million allocation to *suco* (village)-level MDG projects, up to half of which is likely to be directed to small-scale water supply and sanitation infrastructure.<sup>7</sup> The draft *Strategic Development Plan 2011-2030*<sup>8</sup> signals significant further increases. However, most of the increase has been allocated for capital development. Allocations to recurrent costs remain low – in 2010, the personnel budget remained the same, the operational budget decreased, and only US\$200,000 was allocated for rural sanitation. Yet 2011 saw positive signs here too: US\$750,000 was allocated to rural water activities and the Ministry of Infrastructure (MoI) plans to invest this in community planning and operation and maintenance of rural water systems.<sup>9</sup> Investment in rural sanitation almost quadrupled, to US\$760,000.

<sup>1</sup> The initial draft of December 2009 has been updated to reflect findings from the mid-term independent progress review of the Rural Water Supply and Sanitation Program, May 2010 and the Six Monthly Progress Report #6 March-September 2010.

<sup>2</sup> Available at: [http://www.ausaid.gov.au/publications/pubout.cfm?ID=5025\\_7657\\_2868\\_711\\_6861](http://www.ausaid.gov.au/publications/pubout.cfm?ID=5025_7657_2868_711_6861). This document uses the terminology 'implementation strategy'.

<sup>3</sup> An *aldeia* is a hamlet which has on average 80 households. There are 2,330 *aldeias* in East Timor, with 2000 in rural areas. UN Joint Monitoring Programme 2009.

<sup>4</sup> WHO and UNICEF *Joint Monitoring Program for Water Supply and Sanitation Coverage Estimates*, 2006.

<sup>5</sup> World Bank, *Policy Note on Population Growth and Its Implications in Timor-Leste*, October 2008.

<sup>6</sup> Parliamentary elections are scheduled for 2012.

<sup>7</sup> To put this in context, US\$50 million is estimated to be required to build and rehabilitate enough water systems to meet the government's target of 75 per cent coverage by 2015 – see below.

<sup>8</sup> The final Plan is scheduled to be released in July 2011.

<sup>9</sup> Note that much of this money has been used to pay for bills for emergency repairs from 2010. It is likely that the remainder will be used for purchasing equipment.

Government funding has to date been considerably outweighed by donor support, although recent budget increases mean that the government funded 50 per cent of total systems in 2010. Limited availability of reliable data has reduced the ability of government or donors to conduct evidence-based planning and resourcing.

### *Building and maintaining facilities*

In May 2010, it was estimated that if 100 per cent access to a reliable water source were to be achieved in rural areas approximately 740 *aldeias* would require either a new water system or major rehabilitation and 679 *aldeias* would need further investment spent on their partially functioning systems, costing around US\$61 million.<sup>10</sup> It would cost about US\$50 million to reach the government target of 75 per cent coverage by 2015. Approximately US\$12.2 million would be needed to reach the 60 per cent of rural households without access to improved sanitation by 2015.<sup>11</sup> While these targets and the Millennium Development Goal on water and sanitation<sup>12</sup> are achievable (particularly with current water supply funding levels), concerns about sustainability remain. The primary concern is government commitment to maintenance. In addition to the low budget allocation for recurrent costs mentioned above, concerns include: the quality of designs, building materials and contractors; consistency of construction supervision; depth of community engagement at all stages in the project cycle; and the availability of operation and maintenance funding to accompany community contributions.

For maintenance of water and sanitation systems, the problem of a low recurrent budget allocation discussed above is compounded by the weak regulatory environment. For example, where responsibility lies for operation and maintenance of systems is unclear. While communities have a mandated role in operation and maintenance of water systems, national and sub-national governments are under-resourced to support this role. This has impacted on sustainability of services and quality and functionality of systems (estimates for functionality range from 10-70 per cent).<sup>13</sup> Decentralisation is likely to muddy these responsibilities further.<sup>14</sup>

The quality of infrastructure construction and maintenance is also hampered by weak management and procurement systems, unclear technical standards, and limited access for sub-district facilitators to skills development, particularly in relation to gender-sensitive community engagement approaches.

### *Behaviour*

Data on hygiene practice is weak but anecdotal evidence suggests it is poor. The Ministry of Health says poor hygiene practice has a significant impact of the disease burden of the poor. Hygienic behaviours related to the use of improved latrines and hand washing with soap have

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<sup>10</sup> *Mid-term independent progress review of the Rural Water Supply and Sanitation Program*, May 2010 (RWSSP Mid-term Review).

<sup>11</sup> Factoring in population growth, RWSSP Mid-term Review.

<sup>12</sup> MDG 7.3 to halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation.

<sup>13</sup> Office of Development Effectiveness, *Evaluation of Australian Aid to Water and Sanitation Services in East Timor and Indonesia*, 2009 (ODE Evaluation). This is an independent review. Coverage studies conducted in four districts by Oxfam, Triangle GH and Plan show that only 26 per cent of systems built are fully functioning.

<sup>14</sup> Although the timeline for the legislative framework and details of services to be decentralised are still being determined, it is likely that water and sanitation and health will be the first sectors to be decentralised.

been found in global studies to have a large impact on reducing diarrhoeal and respiratory illness.<sup>15</sup>

The responsibility for promoting hygienic behaviour in East Timor cuts across the Ministries of Health and Infrastructure. The Ministry of Health, with Australian support, is promoting hygienic behaviour through advocacy and monitoring activities at local level health posts (SISCa posts).<sup>16</sup> District Public Health Officers and family health promoters are working together to mobilise communities to build hand-washing facilities out of local materials and adopt hygienic behaviours, including through competitions and dramas. As the monitoring tool for health behaviour is in its early stages, it is difficult to gauge levels of improvement at this stage.

The draft National Sanitation Policy (produced by the MoI) and Australian-supported efforts have supported the implementation of a Community Led Total Sanitation (CLTS) approach in East Timor. The CLTS approach mobilises communities to end open defecation and has proven effective throughout the developing world. Early indications in East Timor are that the approach is working, with 55 *aldeias* declaring themselves 'open-defecation free'.<sup>17</sup> The government has begun to roll out its Total Sanitation Campaign – based on the draft policy – which integrates CLTS, hand washing and sanitation promotion, private sector support and subsidies for vulnerable households.<sup>18</sup> Progress to date has highlighted the importance of having a national campaign and strategy for hygiene promotion, which is coordinated at district level, to enable rural households to access to affordable sanitation products.<sup>19</sup>

In East Timor, particularly at the community level, decision-making processes remain largely dominated by men. Women, as primary water users and collectors, have critical contributions to make towards processes and outcomes of water, sanitation and hygiene behaviour interventions. While progress has been made to involve women in water user groups, there needs to be ongoing focus to ensure all people – women, men, girls, boys and the disabled – participate in, and benefit equally from, water and sanitation, as well as hygiene behaviour change. This can have flow-on effects in gender empowerment.

## **2. How effectively are the Government and development partners dealing with it?**

### *Government*

The government's goal is to ensure that 75 per cent of the rural population has access to safe and sufficient water and 55 per cent of the rural population has access to improved sanitation. These targets align with the Millennium Development Goal to halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. The government's goal is supported by a Rural Water, Sanitation and Hygiene (RWASH) Strategy, developed with Australian support.<sup>20</sup> The RWASH Strategy has not been supported by a clear, sequenced plan for implementation and a medium-term framework for resourcing. However, with Australia's support, Rural Water Supply Guidelines were finalised in late 2010 and National Sanitation and

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<sup>15</sup> The Ministry of Health's Demographic Health Survey (2009-10, with Australian support) finds that 15 per cent of children under five years are ill with diarrhoea and 22 per cent of deaths of children under five years are due to diarrhoea.

<sup>16</sup> The monitoring tool for health behaviour is known as KUBASA. Data is collected by door-to-door visits by family health promoters (volunteers), with supervision and support from NGO partners.

<sup>17</sup> BESIK Six-Monthly Progress Report #7 (September 2010 – March 2011)

<sup>18</sup> The total Sanitation Campaign had been rolled out in 15 sub-districts as at December 2010 - BESIK Six-Monthly Progress Report #7 (September 2010 – March 2011)

<sup>19</sup> RWSSP Mid-term Review.

<sup>20</sup> There is also a hygiene promotion component of the government's Health Strategy.

Water Supply Policies have been developed and are awaiting approval to further guide implementation.<sup>21</sup>

The key ministries in the sector are the MoI's Directorate for Water and Sanitation (DNSAS) which has the lead role in water supply and urban sewerage, MoI's National Directorate for Water Resource Management (DNGRA), the Ministry of Health National Directorate for Community Health which leads in sanitation and hygiene education, the Ministry of Education (in relation to services in schools) and the Ministry of Finance. In 2010, the Ministry of State Administration and Territorial Planning became a more important player as it took on new small scale infrastructure procurement responsibilities as part of the Government's drive to promote infrastructure spending in rural areas. How long they will continue to hold these responsibilities is unclear as are roles and responsibilities for supervising and maintaining district infrastructure projects.<sup>22</sup>

Inadequate managerial skills are a constraint to government performance, and weak leadership is impeding the effectiveness of technical officers and sub-district facilitators. Capacity at the district level is varied and there is a lack of staff with required technical skills. At the same time, improvements to management systems within DNSAS are improving capacity for autonomous district-level management. There are many long-term and competent DNSAS staff who were trained under the Indonesian system and received support from previous Australian activities. Inter-departmental coordination is improving.

#### *Donor support*

Until recently, donor support to the sector dwarfed government funding but the balance has now shifted. Australian support to the sector has been around A\$12 million per year, making it the largest donor by far. USAID is the next largest donor which commenced its program in early 2009 (US\$16 million over 4 years) to support rural access to water supply in up to four districts. The Asian Development Bank (ADB) and Japan International Cooperation Agency (JICA) are the main donors to the urban water sectors. UNICEF and many NGOs including Plan, Oxfam, Care and WaterAid also work in the sector, some of which have had Australian support.<sup>23</sup>

In short, with continued donor support, and continued investment and focus on sustainability in water and sanitation services by the government, East Timor is potentially on track to meet its 2015 targets and the Millennium Development Goal on water and sanitation.<sup>24</sup>

### **3. Australia's role in the sector**

Australia is the largest donor in the rural water and sanitation sector and committed in the Country Strategy to play a continuing role. Having supported the sector since 1992 and contributing around A\$46 million since 2002, independent reviews have confirmed that considerable progress has been made, including improved capacity in DNSAS, higher government budget allocations, better sector coordination, an improved focus on vulnerable households and people with disabilities and around 100,000 people having benefited from new

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<sup>21</sup> Medium Term Expenditure Frameworks at the national and sectoral levels are planned following release of the Strategic Development Plan.

<sup>22</sup> Understanding and addressing this complexity will be included in the analysis on government systems referred to in 5.4.

<sup>23</sup> Donor coordination is reasonably good, see 5.3.

<sup>24</sup> RWSSP Mid-term Review.

systems. There have been significant gains in providing for disabled access, and in the quantity and quality of women's participation in decision-making.<sup>25</sup>

Australia's current program, the Rural Water Supply and Sanitation Program, RWSSP, now known by its Tetum name *Be Saneamentu no Ijene Komunitade* (BESIK) is a large project implemented by a managing contractor which provides technical assistance to government and subcontracts engagement with communities to deliver water and sanitation services to various national and international NGOs. It covers the breadth of the RWASH sector.<sup>26</sup> This approach has reflected the fact that Australia has been the largest donor in the sector, that needs have been high during the emergency phase and that Australia has taken a holistic approach. However reviews have shown that maintenance remains a real challenge in the sector, and there is the perception that too much is being spent on technical assistance.<sup>27</sup> Reviews have also shown that the way NGOs have been engaged has in some cases marginalised the role of government, particularly at the local level.<sup>28</sup> This is a problem because Australia committed in the joint Country Strategy to reducing the risk of a return to conflict by building the legitimacy of the state. It risks both weakening government ownership and the ability of government to use its increasing budget effectively, and discouraging citizens from demanding services from their state (and not from donors and NGOs).

Given Australia's key role, large investment and independently-verified achievements in the sector to date, along with strong political support from both governments, Australia is best well placed to help guide the government through the transition from a large managing-contractor implemented project to a government-led program. Accordingly RWASH will continue to be a focus of Australia's support to East Timor.

Australia will continue to support the government in achieving its objective to provide adequate, safe and sustainable water supply and sanitation services in rural areas. However, learning from experience and recent reviews,<sup>29</sup> the nature of Australia's support will change. First, Australia's dominant role in the sector will reduce in favour of government ownership and leadership. This transition will require gradual and incremental use of government systems and developing capacity and evidence to facilitate better priority setting and budgetary allocations. Increasing government budget and capacity will mean that Australia will be able to transition its support from working in every component of the government's RWASH Strategy to working in those areas of greatest need. Second, because investment in the sector to date is being jeopardised by low functionality rates, even greater attention to sustainable service delivery will be reflected in continued technical support and increased combined resources allocated for operations and

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<sup>25</sup> RWSSP has been praised by independent reviews as a 'model of good practice' for actively advancing gender equality in society as well as promoting women's access to, and participation in decision-making related to, water and sanitation. RWSSP's gender strategy promotes the active involvement of women and men in all activities, and promotes women as community facilitators and members of the water user groups. It also promotes gender awareness at the community level and equal access to decision-making processes; RWSSP Mid-term Review and RWSSP Monitoring and Review Group Report, April 2011.

<sup>26</sup> Specifically RWSSP currently consists of: improving systems to plan, implement and manage RWASH programs (65% of funding); designing, implementing and operating RWASH facilities (27% of funding) and behaviour change in hygiene practices and creating the demand for RWASH infrastructure (7% of funding). RWSSP was preceded by the Community Water Supply and Sanitation Program.

<sup>27</sup> ODE Evaluation.

<sup>28</sup> ODE Evaluation.

<sup>29</sup> ODE Evaluation, Monitoring and Review Group findings, RWSSP Mid-term Review.

maintenance of water and sanitation systems.<sup>30</sup> And greater government ownership of operations and maintenance will be critical to improving functionality rates.

Australia's goal is to support Government of Timor-Leste to achieve its water and sanitation goals (aligning with MDG 7) by ensuring access to adequate, safe and sustainable water supply and sanitation for rural communities through community owned and managed facilities. Specifically, Australia's program will contribute to the following objectives:

1. District and central authorities improve planning and resourcing for sustainable and equitable delivery of rural water, sanitation and hygiene services
2. Increase in government and community capacity to build, rehabilitate and maintain water supply systems and sanitation facilities
3. More people demonstrating improved hygiene and sanitation practices.

#### **4. How will Australia contribute to these outcomes?**

Australia will continue in the short-term to provide selected support, via a managing contractor, to each component of the RWASH Strategy, and ensure alignment with the Government's Strategic Development Plan as it takes shape. However, the new phase of the program beginning in 2012 will entrench a sharper focus on contributing to the outcomes and targets below.<sup>31</sup>

Across each outcome, Australia will continue to focus on ensuring women and men participate and benefit equally from access to water and sanitation as well as hygiene behaviour change.

##### **4.1 District and central authorities improve planning and resourcing for sustainable and equitable delivery of rural water, sanitation and hygiene services**

The ability to plan and resource service delivery are key components of government ownership and leadership. Australia will contribute to this outcome by providing technical and policy advice to strengthen evidence-based planning in the sector. Australia will support the government's initiative to finalise and socialise the National Water Policy and National Sanitation Policy and develop a new Water Resources Management Policy.<sup>32</sup> Australia will assist the government to manage the water management information (SIB) and household monitoring (Kubasa) systems and use the data to plan local level service delivery. This means identifying information which will be useful to ministries and undertaking regular assessments of district level access to, quality of and functionality of water systems and household, school and health centre access to sanitation. Data will be disaggregated by gender.

This information needs to translate into realistic medium-term expenditure planning. Australia will support DNSAS's multi-year financial planning. Although the Ministry of Finance has not yet adopted a government-wide medium-term expenditure framework, Australia, through

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<sup>30</sup> Analysis will consider whether Australian funds could be used as incentives, for example for an increase in government budget allocated to operations and maintenance – see 4.2 and 5.4.

<sup>31</sup> Moving to full budget support now is premature and would jeopardise our collective ability to reach the water and sanitation MDG. Beyond any fiduciary risks, current weaknesses in government capacity present a development risk – the increased capital budget allocation is unlikely to result in sustainable service delivery without continued technical assistance supplemented by demonstrating quality delivery. Some use of a managing contractor is therefore likely to remain appropriate for the life of this strategy, although this will be tested in the design of the new phase. In any event, to achieve greater government ownership and leadership, increasing use of government systems will be achieved through the new phase.

<sup>32</sup> These draft policies focus on equitable service delivery, integrating gender and disability. Australia will also help to make the government's RWASH Policy Steering and Reference Group a more useful forum for donors and government agencies to discuss policy, planning and resourcing – see 5.2.

RWSSP, other sectoral programs, high-level policy dialogue and partnership with other donors, will continue to encourage the government to establish a multi-year planning process.

In conjunction with Australian assistance to improve public financial management across service delivery sectors,<sup>33</sup> Australia will assist DNSAS to use its evidence-based planning to prepare high quality and persuasive budget bids that improve its ability to secure adequate financial and technical resources in line with its medium term financing framework. Support to strengthen the evidence-base will assist the government to achieve adequate government and development partner capital and recurrent resourcing for the sector. However, that evidence base will take time to produce. In the meantime, policy dialogue on adequate levels of resourcing will need to be based on experience, including in comparable countries. Policy dialogue across government to increase the capital budget allocation for sanitation and recurrent budget for maintenance is a priority.

Australia will support the government to establish an environmental safeguard system that ensures natural water supplies retain integrity, taking likely climate change impacts into account. This will include ensuring that RWASH activities provide a consistent and sustainable supply of unpolluted water and do not impact negatively on the environment. The main focus will be to support MoI's DNGRA to strengthen capacity to manage ground water. Australia will increase awareness of the relationship between water catchment and water source reliability and promote policy and planning changes to ensure water resources are protected.

*2015 targets to which Australian support will contribute:*

- Water, Sanitation, Hygiene and Water Resources Management policies and guidelines are approved and being implemented
- Increased government budget allocated to sustainable rural water and sanitation services
- Water, sanitation and hygiene information systems are managed by DNSAS and data is used in planning
- District Water and Sanitation Service offices are developing priorities in consultation with district agencies and based on need

## **4.2 Increase in government and community capacity to build, rehabilitate and maintain water supply systems**

### *Government capacity*

Government's ability to deliver the services it has planned and resourced is another crucial component of government leadership and ownership and accountability to its citizens. Around 900 hundred new and rehabilitated water systems need to be completed by 2015 to meet the 75 per cent national target.<sup>34</sup> Australia will assist the government to clarify roles and responsibilities of government, water user groups and households and indirectly improve quality and design of construction and maintenance of these systems.

To help the government reach its target, Australia will provide direct technical and financial support to build and rehabilitate approximately 50 water supply systems benefiting 65,000 people by June 2012. For these systems, Australia will directly implement services alongside government, to demonstrate good practice. It is likely a new program will need to continue to directly implement a small number of water supply systems to continue the demonstration effect while

<sup>33</sup> For example the Public Financial Management Capacity Building Program and PFM support in health and education.

<sup>34</sup> RWSSP Mid-term Review. 75 per cent coverage equals 1500 systems. Currently 581 systems are fully functioning which leaves 919 new or rehabilitated systems needing to be built by 2015.

monitoring the cost and sustainability benefits of quality construction.<sup>35</sup> Providing safe water to schools and health centres will be prioritised with services maintained in partnership with local government authorities. In addition to the systems above, Australia will fund access to sustainable and safe water for around 55 schools and 40 health facilities by 2012.<sup>36</sup>

To increase government ownership and leadership, there will be a gradual shift in the percentage of Australian funds channelled through national government systems. Local government systems are underdeveloped and there is a risk significant increases in the budget for capital development could strain the system. Adding Australian funds to the recurrent budget for operations and maintenance – linked to government commitments to increase its operations and maintenance allocation – may be a better first step.<sup>37</sup> Australia will work with government to assess how the fiduciary and development risks can best be balanced and develop a strategy to progressively strengthen and use government management and procurement systems (see 5.4).

### *Community engagement and support*

To address sustainability shortcomings in the sector to date, sustainable delivery of water supply will be achieved not only through quality standards in construction and adequate resourcing of maintenance, but by developing stronger links between government and rural communities.<sup>38</sup> Community support and engagement is critical before, during, and after construction of facilities. The government has mandated that community water user groups will take responsibility for the operation and maintenance of village-based systems with necessary support from government and this is reflected in the law.<sup>39</sup> However, communities also have an essential role in planning to minimise conflict and ensure there is equitable access to water, and during construction to help hold contractors to account. Australia will provide technical and financial support to the government to ensure effective implementation of its policy to use community owned socially inclusive processes to plan, monitor and implement RWASH activities. The role of women in the design and maintenance of systems and holding local government to account for their obligations will be enhanced in line with the gender strategy developed by RWSSP.

With respect to maintenance, rural communities need access to equipment and spare parts, as well as ongoing management guidance and support to manage, monitor and maintain systems. A key constraint to helping communities is the weak capacity and resourcing of local government.

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<sup>35</sup> Our support to 4.1 will allow the government to compare the costs and functionality of Australian-implemented and local contractor-implemented construction.

<sup>36</sup> The Ministries of Infrastructure, Education and Health have agreed that in future all schools and health centres will be built with access to clean water and sanitation systems.

<sup>37</sup> As mentioned above, Australian funds should be combined with government allocations for operations and maintenance. This could be used to reward the government's recent O&M budget increases and incentivise further increases, demonstrate improvements in water services from better maintenance and make more effective our support to sub district facilitators and community water user groups (as their efforts would be rewarded by being able to influence spending priorities and hence improve services). Adding Australian funds to the operations and maintenance budget will be considered through the design of the new phase. See John Mellors' Aide Memoire for East Timor Water and Sanitation Sector Financial Management Analysis (25 March 2011) and analysis in 5.4.

<sup>38</sup> A study commissioned by RWSSP found that 70 per cent of systems failed within one year of construction but for projects implemented through participatory methods with robust community preparation and engagement 88 per cent of schemes were still working after six years. Similarly in Indonesia, functionality rates for rural water supply and sanitation increased with the adoption of the community-managed approach; ODE Evaluation. A RWSSP-funded study found that an average of USD93 per year is needed to maintain a gravity-fed water system. This would make successful delivery of maintenance services by the private sector unlikely. This does not preclude commercialised models or local government-run models which may be more appropriate for multi-village or larger schemes where communities are unlikely to manage collectively or where technological demands are higher.

<sup>39</sup> These community groups also collect funds from the community to pay for maintenance materials. USAID's water and sanitation program also follows the AusAID-developed and government-endorsed community-based approach.



To increase local governments' capacity to engage with communities, Australia will support DNSAS and the MoH to lead and build community capacity to monitor, manage and maintain facilities. This will be done by helping the government to employ sub-district facilitators and providing support to these facilitators through training and community development officers in each district. Recruiting and retaining more women sub-district facilitators will be encouraged and all facilitators will be trained in gender issues. Australia will also provide technical support to the district water and sanitation authorities to further strengthen gender-sensitive community engagement.

RWSSP currently relies on government-NGO partnerships to implement many of its activities, which is appropriate given that NGOs house the majority of technical skills in the water and sanitation sector. The number of small contractors in the districts is increasing as a result of the government's recent program to promote infrastructure spending in the districts, but the quality of implementation has to date been poor and the current model splits responsibility for building and maintaining infrastructure between Ministries which does not promote sustainability. However, as East Timor's private sector develops, Australia will revisit this assumption to assess whether incentives for promoting the private sector to build infrastructure would lead to more cost effective delivery.

*2015 targets to which Australian support will contribute:*

- 115,000 additional people gain access to safe water<sup>40</sup> (through direct implementation)
- 80 per cent of *aldeias* with access to water supply systems more than a year old that are fully functional
- 80 per cent of village water and sanitation management bodies nationwide have at least 30% participation (with responsibility) of women

#### **4.3 Increase in government and community capacity to improve hygiene and sanitation practices**

Australia's contribution will be to provide training and financial support to the government to promote healthy and hygienic behaviours, particularly hand washing with soap and using hygienic toilets. Promoting links with the health program, Australia will support behaviour change programs at the district level. This will be done in conjunction with SISCa health posts and the national school health program, family health promoters and other government departments. Australia will support local governments to prioritise and provide incentives for community management of health and hygiene activities. Local NGOs may be contracted to develop training and materials, although this will be done in alignment with national and district level environmental health promotion strategy. Options for partnerships with the private sector as it develops, such as soap manufacturers, will be explored. Lessons learned from the current program – including from piloting various models of promoting hygiene behaviour change – will inform the next phase of the support.

*2015 targets to which Australian support will contribute:*

- 800 *aldeais* have achieved 100 per cent open defecation-free environments for improved sanitation
- 6,000 additional households have and use hand washing facilities and soap

<sup>40</sup> This refers to results from direct service implementation by Australia. The redesign will reconsider this target in light of our increasing focus on helping the government to better implement its own budget to deliver sustainable services. That is the target from direct support may decrease and the target from indirect support may increase.

## 5. How Australia will deliver its support?

### 1. Partnerships

As Australia's water and sanitation activities need to attract greater government ownership, Australia's core partnerships are with the Ministries of Infrastructure (DNSAS and DNGRA) and Health (National Directorate for Community Health). While Australia will increase engagement with district governments, this will be done hand in hand with central government policy. Australia will be the government's lead partner for discussing rural water and sanitation policy and programs.

The main vehicle for Australian support has been the managing contractor-implemented RWSSP. This \$41 million project working across the RWASH sector began in September 2007 and will finish in June 2012. In the time remaining, the project is taking preparatory steps for the transition to a more government owned, managed and monitored program. The successor program beginning in late 2012 will be designed as a more government owned, managed and monitored program from the outset. This will require a rigorous assessment of public financial management and other fiduciary systems (see 5.4), a balancing of financial risks with development risks and agreement on a shared vision of success and adequate government budget. To achieve this shared vision, Australia will trial a new approach to the design. Experience has shown that our practice of contracting out designs to teams of consultants has led to overly complex designs and not led to sufficient government ownership of Australian-funded programs. With the benefit of the analytical basis provided by this delivery strategy, Australia and East Timor will sit together in a series of workshops with an external facilitator to agree goals, outcomes and the method of implementation for the new phase of Australian support. Concept and design documentation will be succinct and simple. It is intended that this partnership approach to design will flow through to implementation of the program.

### 5.2 Policy dialogue

Australia will be more engaged in policy dialogue with central and district governments and other donors. Australia will leverage experience as the largest donor in the sector to engage constructively with the government on three key policy issues:

1. Encourage the government to invest in mechanisms to promote improved sanitation and hygiene behaviour. To date the government has prioritised improving access to water at the expense of improved sanitation. Although the government has created a Department for Sanitation and is finalising the National Sanitation Policy, the government only allocated US\$200,000 for rural sanitation in 2010 and US\$760,000 in 2011. Australia will make use of a regional study of Indonesia, Philippines, Cambodia and Vietnam which showed an average loss of 2 per cent GDP could be recovered through improvements in sanitation alone. In East Timor this equates to around US\$11 million annually.<sup>41</sup> While the evidence base is being developed to determine adequate levels of sanitation resources (see 4.1), Australia will continue to advocate increased government commitment to sanitation.
2. Encourage the government to institute multi-year financial planning. This will drive priorities in favour of appropriate donor and government capital and recurrent resources for sustainable rural water and sanitation services. Australia will work with other donors to engage with government to advocate for the establishment of multi-year planning and budget processes. While sufficient evidence of the resources needed for local level service delivery is being accumulated, it will be necessary for Australia to come to a shared view

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<sup>41</sup> Economic Impacts of Sanitation in Southeast Asia, WSP, 2008.

with relevant ministries and other donors about what is an appropriate medium-term budget allocation for local level service delivery. (See also 5.4 on government systems.)

3. Encourage the government to set clear roles and responsibilities for operation and maintenance. The lack of clarity around who is responsible for operation and maintenance continues to impede sustainability. Australia will work with DNSAS and all government stakeholders to advocate for clearer and better operational regulations and guidelines to support maintenance.

The recent reviews of Australia's engagement in the sector, this delivery strategy and policy and technical analyses commissioned by RWSSP will be used as tools for this policy dialogue. The RWASH Policy Steering and Reference Group (PSRG) is a forum to engage government on policy, program direction and resourcing needs. Its members include the Ministers of Infrastructure and Health, other relevant ministries and donors. It is meant to meet every six months, but the PSRG has not always been accorded high priority by the government. Australia will work to make this forum more useful, regular and government-led. Australia will also meet with the Minister of Infrastructure at least twice a year to discuss policy positions.

At the officials' level, Australia will revitalise the Program Management Group (PMG) as a regular forum for policy discussion and to make recommendations on policy development to the PSRG. The Director of DNSAS leads the PMG. The PMG meets irregularly but now includes UNICEF and USAID. At the operational level, Australia will engage the Sanitation Working Group which also informs policy making and contributes to research and planning.

### **5.3 Aid Effectiveness**

#### *Sector coordination*

Australia will continue to play a lead role in donor coordination. In the absence of effective government coordination, Australia has taken a lead role, with donor activities in the sector relatively well coordinated. Australia's contribution to promoting government coordination will be to encourage DNSAS to coordinate more effectively with the Ministries of Health, State Administration and Finance. Australia will encourage improved inter-ministerial coordination and strengthened ministerial leadership by supporting sector level coordination among ministries, in particular the PMG and Sanitation Working Group, and by linking its water and sanitation work with work in other areas. For instance Australia will leverage support for the Ministry of Finance to improve infrastructure and health ministry budget submissions and financial management. And Australia will work through the health program to integrate local level water and sanitation service delivery, community engagement and behaviour change messages. Promoting coordination at the local level, Australia will support the establishment and maintenance of District Coordination Forums.

#### *Monitoring and Evaluation*

The program logic underpinning this delivery strategy is being developed with the government in the first stage of the design phase (the concept workshop). It will outline how we expect Australia's support to contribute to high level development changes in the sector. The plausibility of the assumptions implicit in the diagram will be interrogated in more detail during the design phase. This will occur in stakeholder workshops facilitated by a monitoring and evaluation specialist with expertise in program logic. The design phase will also allow the government and Australia to agree on an approach to monitoring and evaluation that uncovers: What is being achieved? Is change happening as expected? Why or why not? And what are the implications for future policy, resourcing and practice? Australia's strategy for supporting data collection will be two-pronged:

## 1. Shared high level and intermediate development outcomes

At the high and intermediate development outcome levels, Australia will support the government to lead on monitoring and evaluation and encourage other development partners to draw on the government's data rather than collect their own. Implementing the recommendations of the mid term review, good progress was made throughout 2010 in supporting DNSAS to develop simple systems for tracking sector performance. These include:

- Sector Planning and Reporting Tool which is now being used by ten agencies including DNSAS to: report progress towards government targets and global sector level indicators (for example the number of additional people with access to safe water); and to consolidate information on who is doing what in the sector (including government, donors and NGOs). This is updated quarterly by service providers in the sector, including donors and NGOs.
- Water Information System, now populated with data from approx 91 per cent of rural villages, which is providing information on coverage, gaps and functionality for improved resource allocation and decision making (for example the amount of time it takes in each village to access water). This information is regularly collected by sub-district facilitators.

Both tools collect gender-disaggregated data such as the extent of participation (with responsibility) of women in water user groups. They are a step forward in improving government-led performance monitoring in the sector and have required technical assistance from Australia. However, real challenges remain in transitioning the management of both systems from RWSSP to DNSAS. Including sub-district facilitators on the payroll is crucial to this. As part of the transition plan and 2011 design process, Australia will have realistic discussions with the government about how to ensure this transition occurs at a pace that maintains adequate quality of data while encouraging government ownership and use of the management information system.

Australia will rely on these systems to track shared progress against the indicators for intermediate outcomes 2 (water supply) and 3 (hygiene and sanitation) of this delivery strategy, as well as overall progress toward achievement of MDG 7. A number of these indicators are also performance indicators for AusAID's Agency-wide WASH Strategy (draft yet to be finalised).

## 2. Quality of Australia's contribution

At lower development outcome levels, changes relate less to shared progress and more to the quality of Australia's contribution (that is, annual outputs and deliverables and the immediate outcomes these are leading to). Rather than stretch weak government capacity, Australia will rely on the managing contractor to collect and synthesise information about how and why change is or is not happening at this level. This will be along the lines of RWSSP's existing monitoring and evaluation framework and will need to draw on a clear conceptual model for monitoring capacity development.

Australia will work with the government during the design phase to clarify how existing systems could be improved to better link performance data to management decisions. This will include: MoI's own review and planning processes; its influence on decisions by other Ministries that affect outcomes in the sector (for example the Ministry of Finance, Ministry of State Administration and district governments); and how it leads annual joint review and planning with development partners in the sector (linked to the government's emerging Strategic Development

Plan). As discussed above, present arrangements have been disappointing and it will be important to realistically assess why they have fallen short of expectations.

Australia will supplement its involvement in these shared performance review processes with a separate annual and largely internal discussion about progress against this delivery strategy. This will involve AusAID management, activity managers, and thematic group staff and will be facilitated by the AusAID performance and quality manager. It will feed into the East Timor Annual Program Performance Report and reflect on:

1. Shared progress against the government's goal (i.e. changes in access to improved water and sanitation), major changes in the sector context (e.g. government resourcing, changes in leadership, decentralisation) and implications for Australia's role in the sector
2. Shared progress against each of the intermediate outcomes, the adequacy of Australia's contribution in the past year and implications for Australia's future programming, policy dialogue and analysis
3. Alignment with aid effectiveness principles and implications for how Australia works with government and other donors in the sector.

The template that guides these discussions is at **Annex 4** (see excel document). At each of the three levels, implications for Australia's role and activities will be identified, and a set of operational priorities for the forthcoming year will be set. These will represent significant contributions to the intermediate outcomes and Australia will be accountable for achieving them. The list of priorities for 2011 is at **Annex 1**.

## 5.4 Analysis

### *Government systems*

To improve aid effectiveness, Australia has committed to use country systems to the maximum extent possible, and where it is not feasible, to work with partners to strengthen systems.<sup>42</sup>

Australia seeks to use and strengthen country systems so that we can align our resources to those systems and accordingly benefits and influence from our resources can extend to the whole sector, improving effectiveness and efficiency. The benefits of using country systems include increased partner government ownership of the development agenda and improved accountability to its citizens,<sup>43</sup> both of which are particularly important in East Timor as explained above.

The mid-term review of RWSSP found that progress towards shifting to a government-led program has been slow. However, the review found the balance between central institutional capacity building and service delivery was sound – although the proportion of funds spent on technical assistance in RWSSP has been significant, when the sector is viewed as a whole particularly given the increase in the government's capital budget, the proportion is reasonable.<sup>44</sup> The review determined that *exclusive* control of Australian funds should be relinquished to the government but that before this can happen, more dialogue is needed between Australia and the government and Australia needs to come to a more informed view on the trade-off between financial risk (for example inefficient use of funds and leakage) and development risk (failure to

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<sup>42</sup> *Paris Declaration on Aid Effectiveness, Accra Agenda for Action, AusAID Guideline 220 Assessing and using partner government systems for public financial management and procurement* (23 February 2011).

<sup>43</sup> AusAID Guideline 220 *Assessing and using partner government systems for public financial management and procurement* (23 February 2011).

<sup>44</sup> Particularly now that additional funding from the Water and Sanitation Initiative is shifting the balance more towards the government's priority of delivering physical infrastructure. The government and other donors invest disproportionately more in physical infrastructure than in capacity-building. USAID's program focuses on infrastructure because RWSSP is providing policy support and institutional development.

build human capabilities and sufficient ownership of processes to deliver sustained services). Australia will work through this issue with the government in relation to Australia's assistance across the board. Australia will conduct initial analysis of public financial management-related bottlenecks and options to provide incentives and funding through government systems in the RWASH sector. This will be followed by a more comprehensive analysis of the risks and benefits of greater use of government systems with a view to the joint design of the new government owned program.<sup>45</sup> The design will go through AusAID quality processes.

### *Decentralisation*

Decentralisation policy development has been delayed until after the next national election although responsibility for procurement and implementation of infrastructure services in districts is beginning to move to a more decentralised model. Decentralisation will require clear statements of milestones and objectives from the outset. As the policy is formulated, Australia will work with the government to influence the approach to decentralisation of water and sanitation services to encourage good governance, clarity of roles, adequacy of financial planning and resourcing, realistic planning for service delivery roll-out and proper emphasis on sustainability. To prepare for decentralisation, Australia will provide technical support to DNSAS and the District Water and Sanitation Service to plan for further organisational changes likely to occur. Australia will also liaise with the Directorate for Local Government to clarify processes, planning and resourcing issues related to the roll out of decentralised service delivery.

## **5.5 Deploying resources**

Australia's program at activity, sectoral engagement and policy dialogue levels is managed and monitored by the team in Dili. There is a team of an A-Based first secretary and one O-Based staff. It is unlikely that this number will increase. Policy dialogue will be largely conducted by the First Secretary, Counsellor and Minister Counsellor in conjunction with the team leader of the managing contractor. Based on Post's input and evaluation findings, desk officers' role will be primarily in strategy, policy and analysis and performance assessment. Access to senior sectoral advice will be critical to quality policy dialogue and design of effective interventions.

Resourcing is expected to remain at around the current level of A\$12 million per year (which amounts to approximately 18 per cent of AusAID's country program or 10 per cent of Australian assistance including that delivered by the AFP). Given the government's increase in capital budget allocation to the sector, the need for a substantial increase in assistance is not envisaged. The level of resourcing may need to be reconsidered in light of government budgeting in the future, particularly recurrent budget allocations. To maintain the current financial commitment AusAID will need to source additional budget measure funds in 2011/12 or allocate bilateral program funds.

Funding source (A\$)	2009/10	2010/11	2011/12	2012/13	2013/14
Climate Change Adaptation Initiative	150,000	230,000	0	0	0
Water and Sanitation Initiative BM 09	4,000,000	8,000,000	0	0	0
Bilateral	9,760,000	4,000,000	12,000,000	12,000,000	12,000,000
Total	13,910,000	12,230,000	12,000,000	12,000,000	12,000,000

<sup>45</sup> Analysis and lessons will be shared across Australia's programs, particularly with the public financial management, health and education programs.

**Annex 1 – Annual Operational Priorities (2011)**

<i>Priorities</i>
<b>Resourcing</b>
1. Encourage increased bilateral funding from 2012/13 budget (\$12m annually)
2. Encourage increased East Timor government funding towards recurrent maintenance and operations budget
<b>Programmatic</b>
3. Partnership-based approach to design of next phase of RWSSP, working closely with government counterparts to encourage transition to stronger government ownership
<b>Policy Dialogue</b>
4. Promote (with other donors) role of PSRG to engage government on sanitation, multi-year planning and operation and maintenance roles and responsibilities
5. Support dissemination and enactment of key policies, including National Sanitation Policy, National Water Policy and revised National Rural Water Guidelines
6. Promote scaled up delivery of total sanitation approach
<b>Progressing Aid Effectiveness</b>
7. Australia to strengthen lead sector coordination role through the PSRG, PMG and Sanitation Working Group
<b>Analysis</b>
8. Report on analysis on government systems, particularly fiduciary, procurement and management systems, discussed with government and development partners
9. Report on assessment of fiduciary and other risks of putting funds through government systems.

### Annex 2 - Risk Management Strategy

<b>Risks Identified</b>	<b>Risk Assessment/Impact</b>	<b>Short-term Safeguards</b>	<b>Medium-term Safeguards</b>
Fiduciary risk by increasing funding through government systems	Possible/Moderate	Assess fiscal controls and put in place any necessary short-term safeguards while accepting a certain degree of risk is necessary to balance the development risk of not using government systems to increase government ownership	Build capacity to manage finances through gradual and performance-based use of government systems for local level service delivery and monitoring the arrangements Strengthen systems through broader public financial management support, in conjunction with other donors
Lack of policy influence	Low/High	Build the evidence base, mobilise other donors and make use of PSRG, PMG and Sanitation Working Group	Strengthen credibility as a policy dialogue partner by delivering clear, evidence-based messages in conjunction with other donors
Government decides to prioritise capital expenditure over recurrent funding	Likely/High	Australia provides additional funding to recurrent funding	Assist government to monitor positive outcomes from additional recurrent expenditure. Engage with government on the need to prioritise recurrent funding using sound economic-based analysis
Decentralisation creates uncertainty and pushes local government beyond its capacity	Possible/Moderate	Assess and monitor progress towards decentralisation	Engage government and understand in advance any proposed changes and provide feedback to government on the consequences of proposed changes. Build capacity of local government
Population growth means targets are not met	Low/Low	Australia to maintain dialogue with the government to encourage planning for population growth	Targets that are not achieved will be managed by including numeric targets and ensuring improved evidence-based and community planning



**Annex 3 - Current and future initiatives**

<b>Initiative</b>	<b>Value</b>	<b>Description</b>	<b>Period</b>
RWSSP (not including WSI and Climate Change funding)	\$28.7 million	Improve access to water supply and improved sanitation in rural areas	September 2007 – September 2012
Water and Sanitation Initiative (WSI)	\$12 million	Improve rural water supply and sanitation infrastructure and improved hygiene	End June 2011 (1 year)
Climate Change Adaptation Initiative	\$380,000	Enhance understanding of climate change impacts, build capacity to effectively plan and implement adaptation strategies	End June 2011 (1 year)
Civil Society Water, Sanitation and Hygiene Fund	\$1.2 million	Support NGOs to provide toilets, clean water and promote hand washing with soap	End June 2011 (1 year)
Vocational Education Program	\$390,000	Support to UNICEF to increase access to, and use of, safe water and basic sanitation services, and promote improved hygiene among primary school children	End June 2010 (1 year)

**Annex 4: Sector Performance Review Discussion Template**

*See excel document.*