



## GOVERNANCE FOR DEVELOPMENT – INTERIM PROGRAM AND PILOT PHASE

### 1. BACKGROUND

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This document describes an interim program of activities to be undertaken by AusAID's East Timor Program at the same time as designing its new Governance for Development Program (GfD).

The approach outlined in this document has the support of the Government of East Timor as indicated by the Minute, signed by the President of East Timor's Civil Service Commission (Senor Liborio Pereira), and the Secretary of State for Administrative Reform (Senor Florindo Pereira).

#### Links with current programs

Australia has been engaged in public sector reform in East Timor since 1999. The newly designed GfD Program will replace, and build on the experience of, AusAID's current programs in this area:

- **Public Sector Capacity Development Program (July 2006-2012, \$42.8 million)** – focuses on developing the capacity of GoET's key institutions responsible for public sector capacity development – the Ministry of State Administration and Territorial Management, the Civil Service Commission and the National Institute for Public Affairs. It is delivered by managing contractor, GRM.
- **Planning and Financial Management Capacity Building Program (Nov 2006-2012, \$13 million)** – This World Bank implemented program focuses on building the capacity of the Ministry of Finance to deliver on its public financial management responsibilities. While it is a multi-donor program, incorporating contributions from the Government of Norway, EC, New Zealand and Ireland, Australia is the predominant funding partner.
- **Justice Sector Support Facility (2008-2013, \$24.1 million)** – the JSSF is a bilateral program delivered by GRM. Its goal is to contribute to stability and prosperity in East Timor by helping to provide equal and timely access to justice for all women and children. It focuses on promoting leadership, case management and responding to violence against women. AusAID will not pursue a bilateral justice program following the completion of the JSSF. This program is currently being evaluated and the detailed design process will consider whether aspects of the JSSF should be carried forward into the GfD Program.

#### The Governance for Development Program (GfD) Design Process

The GfD Program Concept was approved at Peer Review on December 6, 2011 and it has moved into detailed design. The proposed goal of GfD is that 'good public sector management enables growth and delivery of services that meet East Timor's development needs.' The program will work in partnership with the Government of East Timor to achieve the following outcomes:

1. The Government of East Timor develops and implements ideas and initiatives for better service-delivery; economic growth and the creation of jobs and opportunities for better quality of life;
2. The Government of East Timor establishes and maintains effective policies and systems in budget, financial policy, and economic management;

### 3. East Timor's Civil Service is an effective provider of services.

A secondary outcome of the GfD program is that 'AusAID is considered by GoET to be a trusted, reliable and influential development partner who engages in genuine policy dialogue with the GoET and other Timorese stakeholders.'

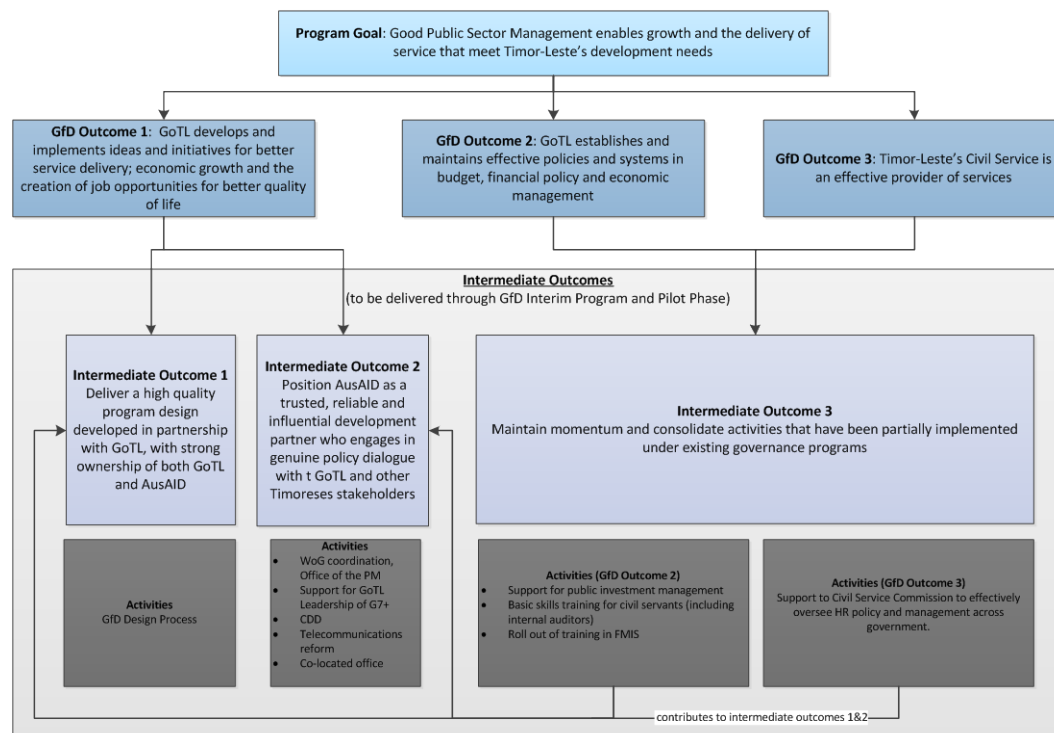
AusAID is adopting a 'facilitated design approach' in developing the detailed design, led by the AusAID Public Finance and Administration Team (PFA Team) with the support of a contracted design facilitator. The design is proceeding while the PFA Team concurrently delivers a range of interim activities. The GfD will be designed through a structured program of workshops, scheduled for March, May, July and August 2012, with a view to having a detailed design ready for tender at the end of November 2012.

## 2. THE GOVERNANCE FOR DEVELOPMENT PROGRAM (GFD) – INTERIM PROGRAM AND DESIGN/PILOT PHASE

The GfD Interim Program and Pilot Phase is designed to enable AusAID to utilise the detailed design process as a means by which to build a genuine partnership with the Government of East Timor (GoET), which will it is anticipated will result in a high quality detailed design that is strongly owned by the GoET. In line with the GfD Concept, the interim Program and Pilot Phase will also enable AusAID to test pilot activities.

The GfD Interim Program and Design/Pilot Phase seeks to achieve three objectives:

1. To deliver a high quality GfD design developed in partnership with the GoET, with strong ownership of both GoET and AusAID.
2. To position AusAID as a trusted, reliable and influential development partner who engages in genuine policy dialogue with the GoET and other Timorese stakeholders
3. To maintain momentum on and consolidate activities that have been partially delivered under existing AusAID Governance Programs.



*Intermediate Outcome 1 - To deliver a high quality program design developed in partnership with the GoET, with strong ownership of both GoET and AusAID*

This Intermediate Outcome will directly contribute to the achievement of GfD Outcome 1 (GoET develops and implements ideas and initiatives). In order to achieve this objective, AusAID will adopt the facilitated design approach outlined in the GfD Concept. This approach brings a range of benefits. By allowing more time to consult with government, it facilitates strong bilateral relationships and allows the program to be responsive to government interests and reform opportunities. It also enables AusAID to develop much stronger ownership and understanding of the program logic of interventions, thereby minimising the risk of strategic drift in program implementation. It was successfully used in 2011 by the East Timor Program's Water and Sanitation Team to design Phase III of the BESIK Program.

*Intermediate Outcome 2 – Position AusAID as a trusted, reliable and influential development partner who engages in genuine policy dialogue with the GoET and other Timorese stakeholders*

GfD Outcome 1 seeks to assist the GoET to develop and implement ideas and initiatives for better service delivery; economic growth and the creation of job opportunities for better quality of life. In order for AusAID to be able to assist the GoET to develop and implement such ideas, it is first necessary that GoET trusts AusAID.

In order to be trusted, reliable and influential, it is critical that AusAID deliver on agreed areas of policy engagement in a timely and effective manner. AusAID has already commenced piloting support in three important reform areas under its existing suite of program – telecommunications reform, community-driven development and public investment management. Continuing to drive the implementation of these pilots, and meeting new needs as they arrive will build AusAID's credibility, and ensure strong GoET engagement in the GfD design process.

Activities for delivering on this objective will potentially include study tours and exchanges (to Australian and third countries); commissioning research in agreed areas of interest; facilitating access to eminent thinkers; conferences and seminars and adviser support.

*Objective 3 – Maintain momentum on and consolidate activities that have been partially delivered under existing AusAID Governance Programs.*

In order to ensure continuing strong engagement from GoET stakeholders throughout the GfD design process, it will be important to maintain momentum in relation to successful activities that are currently being implemented under AusAID's existing governance portfolio activities. This includes a number of commitments made during high-level meetings in February 2011 between Prime Minister Gusmão and the Director General to support East Timor's procurement and financial management. This is necessary to demonstrate to the Government of East Timor that AusAID is an effective development partner that delivers on its commitments and is a trusted source of expertise on important development issues. In this sense, achieving this objective will also reinforce objectives 1 and 2.

Activities that will continue to be funded throughout the interim phase of support include:

- Establishment of a Financial Management Training Centre and associated curriculum
- Support to the Ministry of finance to establish a unit to roll out public service-wide training in East Timor's Financial Management Information System
- Delivery of basic civil service skills training through the National Institute of Public Affairs
- Support to GoET's Major Projects Secretariat to improve the processes that underpin its public investment decisions by ensuring that all infrastructure proposals are assessed for feasibility and economic potential
- Interim Ministerial Co-ordination to the Vice Prime Minister
- Ministerial Co-ordination support to the Prime Minister's Office
- Training for all of East Timor's internal auditors

- Support to the Civil Service Commission to implement its internship program – designed to connect scholarships recipients with government jobs
- Support to the National Directorate of Aid Effectiveness to facilitate East Timor's leadership of the g7+, and broader international aid effectiveness agenda. AusAID is also assisting with the implementation of a new aid management platform, and
- Support to the Civil Service Commission and the Ministry of State Administration and Territorial Management to co-ordinate whole of government efforts related to training and capacity development.

*Objective 4 - To signal to GoET AusAID's intention to work in genuine partnership with GoET*

Historically, AusAID has not directly managed its governance programs directly with the GoET. In the case of PFMCBP, implementation was led by the World Bank, while GRM, the managing contractor for PSCDP, led government engagement as the managing contractor for that program. In a practical sense this meant that GRM and the World Bank have acted as interlocutors between the GoET and AusAID, and that little of the benefit of AusAID programs were attributed to Australia in the minds of Timorese stakeholders. However AusAID and GoET now want a much more direct relationship, and in doing so it is hoped that it can build a stronger and more trusting development partnership which will in turn position AusAID to better understand the policy and practical dimensions of reform in East Timor. The new program will still involve significant development partners such as the World Bank along with AusAID's more direct engagement.

In order to achieve this objective AusAID will directly implement the GfD Program through an implementation team headed by an EL2 Program Director and supported by an implementing service provider (ie. 'services-only contractor') which will be procured via open tender.

### **3. IMPLEMENTATION ARRANGEMENTS FOR THE INTERIM PROGRAM AND DESIGN/PILOT PHASE**

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AusAID wishes to move towards this direct implementation approach throughout the interim phase in order to signal to GoET at an early stage its intention to build a strong partnership based on close engagement. For this reason, AusAID will also seek the services of an 'services only contractor' to deliver administrative support to the AusAID team so that it can focus on delivering a high quality program design process, while also engaging with government to manage the strategic direction of interim activities.

The activities of the Contractor will be directed by an AusAID Director (Program Director), under the leadership of the Minister-Counsellor in Dili. It is intended that the GfD Program Director will eventually be co-located with a small implementation team within GoET, with the specific location yet to be determined. This position will be advertised in the February Postings rounds with a view to mobilisation mid-year. In the meantime, the Interim Program and Pilot Phase will be managed by AusAID's Public Finance and Administration Team.

The GfD Concept proposes the establishment of a cross-government steering committee to guide the strategic direction of the program, and that this should be agreed with GoET through the detailed design process.

It is proposed therefore, that until such time as these governance arrangements are negotiated, AusAID will continue to utilise governance arrangements of existing programs. These include the multi-donor, Ministry of Finance-led Supervisory Committee for the PFMCP (for issues related to public financial management) and the PSCDP Program Management Committee which is constituted by AusAID, the President of the Civil Service Commission and the Secretary of State for Administrative Reform.

#### 4. MONITORING ARRANGEMENTS

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A detailed Monitoring and Evaluation Framework will be developed through the detailed design process, assisted by the design facilitator who is a member of the Monitoring and Evaluation Panel.

AusAID will develop an interim monitoring and evaluation framework to cover the interim and pilot phase as follows:

- For interim activities, it will draw on the methods and processes currently utilised by the implementing contractors
- For new pilot activities, monitoring and evaluation mechanisms will be built into the detailed design document, utilising GoET M&E mechanisms where possible, and
- In relation to program spending and finances, the services-only contractor will be required under the contract to report on program implementation on a quarterly basis.