



PROSIVU

MID-TERM REPORT

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Disclaimer

This Mid-term Review (MTR) was undertaken by Graham Teskey (Team Leader), Aashna Jamaal (PFM specialist), Aderito Soares (Development specialist), Mia Urbano (GEDSI specialist) and Courtney Innes (Disability specialist). The views expressed in this report are those of the review team and do not necessarily reflect those of the Government of Timor-Leste, the Australian Government, Department of Foreign Affairs and Trade (DFAT) or Abt Global.

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Acronyms and Abbreviations

AACTL	Civil Aviation Authority of Timor Leste
AFI	Artificial Fiscal Intelligence
ANAPMA	National Agency for Planning, Monitoring, and Evaluation
ASEAN	Association of South-East Asian Nations
CSC	Civil Service Commission
DFAT	Department of Foreign Affairs and Trade
DG	Director General
EOPO	End of Program Outcome
GEDSI	Gender equality, disability, and social inclusion
GfD	Governance for Development
GoTL	Government of Timor-Leste
GRB	Gender responsive budgeting
IDD	Investment Design Document
IO	Intermediate Outcome
KRQ	Key Review Questions
LTA	Long Term Adviser
MCAE	Ministry for the Coordination of Economic Affairs
MEL	Monitoring, Evaluation, and Learning
MDAs	Ministries, Departments, and Agencies
MNEC	Ministry of Foreign Affairs and Cooperation
MoF	Ministry of Finance
MPIE	Ministry of Planning and Strategic Investments
MTR	Mid-Term Review
OA	Outcome Area
OPD	Organisation of Persons with Disabilities
PFM	Public Financial Management
PSC	PROSIVU Steering Committee
PSC	Program Steering Committee
ToC	Theory of change
ToR	Terms of reference
WTO	World Trade Organisation

1 Summary and Recommendations

About PROSIVU

- 1.1 PROSIVU is an AUD83 million, eight-year investment (four years, plus a possible four-year extension) originally contracted under Cardno Emerging Markets, which was subsequently acquired by DT Global in June 2022. The investment – referred to as a ‘programmable facility’ in the Investment Design Document (the IDD) – commenced on 1 July 2022, with the inception phase taking place from July to December 2022. In late 2022, PROSIVU received additional funding to extend its existing work and support new activities related to Timor-Leste’s Association of South-East Asian Nations (ASEAN) and World Trade Organisation (WTO) accession.
- 1.2 PROSIVU is Australia’s main investment for providing governance and economic development support to the Government of Timor-Leste (GoTL). It aims to support GoTL in achieving three broad goals:
- stronger, more inclusive economic growth
 - more sustainable public finances, and
 - better public administration.
- It builds on Australia’s ongoing governance support to Timor-Leste since 1999 and continues much of the work undertaken by its predecessor investment, Governance for Development (GfD, AUD80 million, 2013–2022).
- 1.3 The MTR in country mission took place 24 March – 4 April 2025. The purpose of the MTR was to assess the performance of PROSIVU and provide strategic and operational recommendations to the Australian Government Department of Foreign Affairs and Trade (DFAT) to help shape the future direction, both in the final 12 months of Phase 1, and for the design update. Table 1 summarises the MTR teams’ assessment of PROSIVU’s strengths and challenges.

Table 1 Strengths and challenges

Strengths	Challenges
<ul style="list-style-type: none"> • Addresses many critical economic and financial governance issues for Timor-Leste’s future development • Most Ministries, Departments and Agencies (MDA) expressed a high regard for PROSIVU: ‘it reflects our interests and priorities’ • ‘Flexible’ and ‘responsive’ • Honest and detailed annual reporting • The most successful Outcome Areas (OA) (4 and 5) are being driven by external factors. There is limited internal drive for reform 	<ul style="list-style-type: none"> • In addressing many issues, PROSIVU is spread thinly • The main challenge in Pillar 1 is to re-establish PROSIVU’s close working relationship with the Ministry of Finance (MoF) Executive Office • Work in some OAs has stopped due to changes in GoTL policy and priorities. The challenge will be re-allocating resources appropriately in conjunction with GoTL • The ambitious nature of PROSIVU at Intermediate Outcome (IO) (and indeed End of Program Outcome (EOPO)) level increases expectations and pressures on delivery teams • Some PROSIVU strategies seem not to have guided implementation¹ • ‘Flexibility and responsiveness’ have led to some loss of coherence • GoTL seems dependent on advisers. Is there already a ‘2nd civil service’? • Limited impact on Gender Equality, Disability and Social Inclusion (GEDSI), despite the IDD claiming it lies at the heart of the investment – but some bright spots and recent improvement

¹ For example, the December 2022 Research and Analytics Strategy said the purpose was ‘to establish PROSIVU as a leading national provider and facilitator of research and analysis that is internationally reputable, locally relevant, and locally led’ page 7). The MTR team are surprised that this was proposed by DT Global and endorsed by DFAT. It is the opposite of what should have been a strategic objective

Five issues for DFAT to consider for the design update

- 1.4 **Theory of Change (ToC).** The IDD makes reference to a ToC in Annex 10, but no such ToC could be found. For a Facility of this size and importance, to be operating without a ToC is understood by all to be problematic. Nowhere does the IDD say why the changes and reforms proposed are considered politically feasible. This is what a ToC provides, based on deep political economy understanding of what is driving decisions and resource allocations of the key actors, both individuals and organisations. The MTR team is given to understand that the PROSIVU team has developed its own idea of what the underlying ToC is, and this will be considered / socialised during the Strategy Refresh exercise later this year. This is strongly to be welcomed. The IDD noted that ‘Public Financial Management (PFM) is an inherently political field. Ongoing Political Economy Analysis (PEA) is required to guide PFM reform support. While there will be highly technical aspects of the support the Facility provides, it must be constantly reviewing the political context at a government, institutional, program and even activity level. The Facility, together with Embassy staff, need to provide guidance to core staff, TA, and partners on how to use PEA and establish procedures for recording how decisions are made and how lessons are learned along the way.’
- 1.5 **Breadth versus depth.** PROSIVU has a presence in many upstream MDAs that oversee public policy. Most of these activities are relevant to the needs of policy reform. The challenge is what do these activities add up to? PROSIVU is a hard investment unequivocally to assess; it has three ambitious EOPOs (Figure 1), none of which are likely to be achieved.

Figure 1 PROSIVU End of Program Outcomes



- 1.6 **Underneath these three EOPOs lie the 39 Intermediate Outcomes (IO) and 99 activities.** Judging the collective impact of these is difficult. The IOs are (in the main) sensible: there are no questionable investments, although most are transactional rather than transformational.
- 1.7 **The strategic issue for DFAT for the design update is whether to continue ‘letting a thousand flowers bloom’ or make a smaller number of more informed and higher pay off ‘bets’?** In short – does DFAT want a Facility or a Program? Regardless of which

MDAs are performing and have potential, and which are not, the question for DFAT is whether to prioritise responsiveness and relationships, rather than focus and finesse. The arguments for these options are discussed in paragraphs 5.6 – 5.9. The MTR team have concluded that even if the choice is the former, there can be useful streamlining and narrowing within each Pillar.

- 1.8 **Third is the relationship with the Ministry of Finance (MoF).** As is the case with most governments, MoF is the most influential in Timor-Leste, as it oversees national financial resources. Many parts of PROSIVU engage closely and constructively with MoF, but its relations with the Executive Office are not as strong as they could be and as they need to be. The new government has revised and centralised the PFM reform process, reducing the power and authority of some Directors General (DGs), which to date have been PROSIVU's main points of contact.
- 1.9 **A recalibration of PFM reform engagement is needed.** While the Ministry's Strategic Plan outlines important priorities around fiscal sustainability and program budgeting, the current *engagement model* primarily connects with DGs rather than the Executive Office where reform decisions are centralised. This misalignment limits PROSIVU's ability to contribute more directly to supporting the Ministry's reform agenda. Aligning with changing GoTL priorities is important if PROSIVU is to remain a preferred instrument for the GoTL. Fortunately, PROSIVU has the ability to respond to such changes: the key will be to recognise the importance of such policy shifts, and to respond in a timely manner, especially through more regular meetings between DFAT/PROSIVU and the Ministry which have now been agreed.
- 1.10 **Fourth is resourcing for the PROSIVU team.** The choice of strategy has implications for PROSIVU resourcing. Managing 100 or so activities and 60 partners places a heavy burden on the team. Much of PROSIVU's time is spent managing the multiplicity of relationships inherent in the Facility. The time spent here does not translate easily into the delivery of IOs. DFAT has delegated the responsibility for day to day operational 'relationship management' to PROSIVU. This is to be welcomed, but it has been achieved at the cost of reduced focus on monitoring progress and performance. If DFAT continues to prioritise 'responsiveness and relationships', then it may require additional resources for PROSIVU.
- 1.11 **Finally, the MTR team has concluded that any design update should continue the three current Pillars of PROSIVU.** Each is relevant. However, the team has also concluded that all three should have a narrower focus. Should DFAT wish to maintain the 'responsiveness' of PROSIVU yet at the same time narrow its focus in order to increase its impact, then the design update should consider a fourth Pillar, which could provide such an opportunity.

The work on infrastructure – for example – could fit here.

Findings against the three Pillars

- 1.12 **Summary of the findings of the review against the three Pillars.** Section 7 reviews PROSIVU against the five key review questions (KRQs).

Pillar 1: Inclusive economic growth

- **Variable performance:** OA4 (especially) and OA5 are doing well. Externally driven change... likely to drive further internal reform as accession requirements gain traction.

- **OA1 on infrastructure:** Tricky as it is a source of important advice, but it is not closely related to other Facility activities. Does it fit here? Does DFAT have other options?
- **Does OA2 (human capital) fit this Pillar?** Clearly important but does it detract from Pillar 1 core business?
- **OA3 Business Enabling Environment (BEE) is struggling:** two of the IOs 'paused'. While SERVE and TradeInvest meet regularly (but not frequently), neither agency could provide concrete examples of programmatic or policy coordination or cooperation: can this be strengthened with existing technical assistance (TA)?
- **BEE has few links with the Market Development Facility (MDF)** – there has been little interaction to date.

Pillar 2: More sustainable public financial management

- **MoF is a critical anchor institution for PFM reform:** MoF's central role in fiscal management makes it an essential partner for any meaningful governance reforms. Unlike Pillar 1 or Pillar 3, Pillar 2 is concentrated at MoF hence MoF becomes defines the rules of engagement.
- **Close alignment with the Ministry's reform agenda is essential:** MoF's Five-Year Strategic Plan articulates priority reforms, including procurement reform and Integrated Financial Management Information System (IFMIS) modernization. The design update should reflect these changed GoTL priorities. The choice may be between continuing with a comprehensive approach that attempts to support the entire PFM reform agenda, or pivot to a more focused strategy targeting specific technical areas where traction is demonstrable. Continuing the role and functioning of the Steering Committee is critical here. It has to play its role as the single most important mechanism for ensuring alignment. This is where workplans are discussed and agreed.
- **4 IOs were paused because GoTL has not requested support in those areas**, including:
 - IO6.2 (Effective Fiscal Management in SOEs) – Not rated
 - IO6.3 (PIM Training) – Not rated due to World Bank leading this work
 - IO8.2 (Accounting Procedures) – Not rated as other donors are providing support
 - IO8.3 (Debt Management) – Not rated as it's not a government priority
 - Should they remain?
- **Would a more targeted approach focusing on demonstrated success areas be more effective?** The design update should consider whether the Pillar should concentrate resources on two or three specific functional areas (like fiscal monitoring) where it has demonstrated value rather than attempting comprehensive PFM reform support.
- **Stretching yet realistic targets:** PROSIVU has ambitious targets. There is nothing wrong with ambition, but they should be tempered with realism given the timeframe of PROSIVU. For example, IO7.4 (VAT Implementation) is linked to an objective of 'MoF raising more tax revenue,' which implies a significant increase in domestic revenue mobilisation within a short timeframe.
- **Across IO collaboration:** Medium term and annual planning are two sides of the same coin. PROSIVU advisers must connect the PROSIVU relationships across various ministries to ensure work is looping back and forth in ways which are useful. At the time of the review, the UMAD (Monitoring, Evaluation, and Performance Unit) work was in its early stage, with priorities being figured out. As it matures, there should be more engagement with other areas, including TIFIS and capacity building.
- **Prioritise requests:** The PFM Capacity Building Centre has requested PROSIVU to provide a 'Capacity Building' adviser, and this position was identified as a priority by MoF. Treasury has foreshadowed a request for support on bonds and T-bills, but this awaits further MoF analysis. PROSIVU should periodically reassess Pillar 2 to ensure it aligns with MoF strategy. DFAT

leadership has a key role to play here so PROSIVU does not get pulled in different directions at the DG level.

Pillar 3: Better public administration

- **The civil service** is clearly a critical 'institution': Good policies can be degraded by weak institutions, so a strong prima facie case to continue (paragraphs 7.5 – 7.12).
- However, there are few tangible results to date from supporting the Civil Service Commission (CSC): The CSC has a new President. This may change the outlook of the CSC from drafting rules and regulations to one of support for, and oversight of, MDAs.
- The incentives for meritocracy require strengthening across the civil service to ensure that Timor-Leste as a politically dynamic nation can fully benefit from the reform process.
- CSC support needs greater focus: PROSIVU is simultaneously trying to reform the CSC and help MDAs with civil service management. Four of the seven IOs of Pillar 3 are about supporting MDAs. Given the history and the priority: why not have one OA only and drop the IOs which are about MDAs (IO 9.2, IO 9.4, IO 10.1, and IO 10.3) and focus just on the CSC (IO 9.1, 9.3, and IO 10.2)?

Table 2 presents the MTR team's recommendations. Recommendations are presented in three categories: strategic, programmatic, and operational.

Table 2 Review recommendations

Recommendation – Strategic	Short-Term (to end Phase 1)	Longer-Term: Design Update
1. Draft a ToC for the overall investment and individual ToCs for each Pillar as an immediate priority	<ul style="list-style-type: none"> PROSIVU needs to review the political feasibility of its 10 OAs and its 39 IOs. These are all presented in neat program logic terms, but a program logic and a ToC are not synonymous. This should be undertaken over the next 12 months as a precursor to the design update 	<ul style="list-style-type: none"> Review and update as needed every six months
2. DFAT should consider whether it wants to continue its strategy of ‘responsiveness and relationships’ or switch to one of ‘focus and finesse’	<ul style="list-style-type: none"> DFAT to reflect and draft appropriate ToRs for the design update (see also 4 below) 	<ul style="list-style-type: none"> Regardless of the strategic choice, any design update should reflect a narrower focus in each of the Pillars (recommendations 7–9, and paragraphs 5.3–5.9)
3. Pursue a more focused GEDSI strategy with fewer and more targeted gender and disability outcomes	<ul style="list-style-type: none"> Build into the design update ToRs, with specific direction on locking commitments into the Statement of Requirements (SoR) to avoid the downgrading of GEDSI that has happened between design and delivery under PROSIVU Drawing on the streamlined GEDSI strategy, identify the activities where PROSIVU has the greatest prospect of being able to report against outcomes. Maximum of 10 activities (mix of targeted + mainstreamed). Resource and pursue Determine a limited number of strategic activities that are mainstreamed and specific to enable more effective engagement on transformative change for disability equity and rights. See paragraphs 5.3–5.9 Meaningfully connect to Organisations of Persons with Disabilities (OPDs) by increasing partnership with OPDs and ensuring a rights-based approach to this engagement 	<ul style="list-style-type: none"> Take stock of whether PROSIVU could be more impactful – through a concentrated focus on one part of the economy e.g. child and elder care provision, Gender Based Violence cost to the economy, formal employment of people with disabilities
4. PROSIVU senior management to reflect on three current EOPOs and have a view ready for design update	<ul style="list-style-type: none"> The design update should revisit the logic: how will EOPO 2 and EOPO 3 contribute to EOPO 1? 	Nil

Recommendation – Strategic	Short-Term (to end Phase 1)	Longer-Term: Design Update
Programmatic	No data	No data
<p>5. Pillar 1: Reduce the scope of the Pillar. Currently some of its OAs represent more of a convenience for DFAT than a strategically focused and purposive program (section 9). IOs to be dropped in the design update would include tourism, labour mobility, and TVET: public investment planning; the ‘human capital’ work; state-owned enterprise; climate, debt management, and TIC Timor. It is also recommended that support for meeting ASEAN accession requirements be increased as soon as possible. This is the one driver of reform that is externally driven, critical for the GoTL political leadership, and thus non-negotiable</p>	<ul style="list-style-type: none"> • Begin immediately to phase out (i.e. manage to conclusion) lower priority areas which can be completed at the end of Phase 1 <p>Identify as soon as possible if further support to the ASEAN accession agenda is needed, and prioritise those areas that will drive reform in Timor-Leste’s regulatory environment and in enabling business licencing, both domestic and foreign</p>	<ul style="list-style-type: none"> • An updated and consolidated Pillar 1 should be a focus of the design update
<p>6. Pillar 2: This Pillar requires reconsideration and a design update given the weaknesses identified in this report</p>	<ul style="list-style-type: none"> • DFAT and PROSIVU start thinking immediately on how to improve the impact of this Pillar. It may not be possible to make sudden changes now, but the ToRs for the design update should be clear on the problems this report has identified • In the meantime, PROSIVU should reassess the performance and placement of advisers in conjunction with MoF 	<ul style="list-style-type: none"> • Reconsider OA6 and OA8 and prioritise support to OA7 (budget reform), with sustained and closer engagement with MoF on its reform priorities • DFAT to continue their consideration of whether it is feasible that parts of the PFM workstream can be allocated to well-placed delivery partners who have existing long-term technical relationships with MoF • Reengage with MoF on its priorities. The Program Steering Committee (PSC) as a yearly mechanism is not enough • Consider if PFM support to the line ministries is financially feasible in the design update
<p>7. Keep Pillar 3 small. Progress here has been limited, but evidence is overwhelming: a meritocratic and well managed public service is the single most important driver of growth. DFAT could pull out but then re-entry would be difficult if the CSC can pull off some serious reforms</p>	<ul style="list-style-type: none"> • Start discussions with CSC on priorities for the design update, and reflect this in the ToRs for the design update • Be modest regarding EOPO 3 in the design update, but emphasise leadership training and accountability of both work units and individual public servants 	<p>Nil</p>

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Recommendation – Strategic	Short-Term (to end Phase 1)	Longer-Term: Design Update
<p>8. Recognise that building organisational capability is not only about individual skills and competencies. Skills and competencies may be at a foundational level, but there are other contributory issues too: empowerment, delegation of authority, confidence in decision making, an operational system of performance assessment. Skills and competencies are necessary, but they are not sufficient.</p>	<ul style="list-style-type: none"> • Prior to agreeing an adviser placement, require the requesting MDA to provide a short assessment of its overall organisational capability, not just what skills and competencies are missing. If the issue is indeed the absence of skills and competencies, the request should be clear about how an adviser would improve <i>organisational</i> performance 	<p>Nil</p>
<p>9. Provide whatever support is needed to the CSC to ensure the integration of the established data base with the MoF payroll</p>	<ul style="list-style-type: none"> • Support to be discussed and agreed as soon as possible 	<p>Nil</p>
<p>10. The three Pillar Strategies refer to interaction among the Pillars on specific OAs. This does not seem to have happened in a meaningful way. A fresh look at cross-program collaboration should be a major feature of the design update (see also recommendation 16).</p>	<ul style="list-style-type: none"> • This should be reflected in the ToRs for the design update 	<p>Nil</p>
<p>11. The three Pillar strategies should only be updated if DFAT and PROSIVU are convinced that they will have immediate operational value</p>	<ul style="list-style-type: none"> • The ToRs for the design update should identify 'headline' strategies for each Pillar • Ensure that the GEDSI team is an integral part of updates to identify selected, promising activities to pursue 	<p>Nil</p>
<p>12. Clear-eyed decisions need to be made on the ongoing Gender Responsive Budgeting (GRB) engagement, and the options brief on disability budgeting.</p>	<ul style="list-style-type: none"> • Provide a documented update to the 14 management recommendations under the GRB and gender equality review, share with DFAT and design team. • Share the GRB and gender equality review with the disability budget Indigenous Peoples' working group and decide on way forward, noting the Ministry of Social Solidarity and Inclusion (MSSI) has the mandate for the budget marker but PROSIVU partners with MoF. Engage with the Partnership for Human Development (PHD) to track the lessons on the Direct Budget Support and gender criteria for performance payment, and with Artificial Fiscal Intelligence (AFI) on the Yellow Road gender budget outcomes 	<ul style="list-style-type: none"> • Report on GRB against the management recommendations and the decision on disability budgeting in the annual report

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Recommendation – Strategic	Short-Term (to end Phase 1)	Longer-Term: Design Update
13. Be informed and build upon GoTL's disability commitments related to PROSIVU's Pillars	<ul style="list-style-type: none"> • Explore engagement with DNAP as the nationally endorsed mechanism to progress disability equity and rights across GoTL. supporting line ministries currently party to the DNAP and increasing engagement from central ministries not yet party. This offers strategic opportunities to progress coordination, commitment and budgeting to disability equity and rights • Deepen the work with the Ministry of Transport on disability. They are party to the DNAP and have demonstrated commitment to inclusion through advancing disability rights in aviation regulations, and representation at DFAT GEDSI consultations • Further support to the CSC who have fostered inclusive recruitment and promotion practices. Support their commitment to internal policies that address disability equity and rights, and work with them to socialise their awareness and increase their engagement with the DNAP 	Nil
14. Increase fluency on GEDSI internally	<ul style="list-style-type: none"> • Develop an internal transformation process through workshops and activities to build staff knowledge on disability equity and rights, including the diversity of disability, meaningful engagement with diverse people with disability, and good practice on engaging with OPDs and strengthening the disability movement. Likewise for gender equality and engagement with women's rights organisations 	Nil
Operational	No data	No data
15. In the new designs for Private Sector Development (PSD), labour mobility, and Human Development (HD), and possibly other new designs / design updates, design teams should consider the viability and appropriateness of common IOs and possibly a common EOPO. This will incentivise collaboration (rather than simple coordination) among implementing partners	<ul style="list-style-type: none"> • ToRs for design teams should specify this with immediate effect 	<ul style="list-style-type: none"> • Implementation of common IOs to start when the new programs come into effect
16. Articulate the level of authority delegated to PROSIVU to implement its Adaptive Management strategy (Annex 5 for a full discussion)	<ul style="list-style-type: none"> • DFAT and PROSIVU to open discussions and agree appropriate levels of delegation for design update to come 	Nil

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Recommendation – Strategic	Short-Term (to end Phase 1)	Longer-Term: Design Update
17. Ensure adviser monthly / 3-monthly reports are completed jointly by GoTL line managers as well as PROSIVU staff	<ul style="list-style-type: none"> To start immediately 	Nil
18. DFAT to consider formalising the role of the PROSIVU Steering Committee to accept (or otherwise) the forward annual plans and budgets of the three Pillars	<ul style="list-style-type: none"> To be put in place as soon as possible 	Nil
<p>19. For the design update, the Monitoring Evaluation and Learning (MEL) Plan should be modestly reformulated to identify specific measurable indicators at the IO level. These should be tracked and discussed with GoTL at the 6-monthly review and reflection exercises, as they represent joint responsibilities.</p> <p>Advisers should be required to assess progress towards IOs as well as recording activities and outputs</p>	<ul style="list-style-type: none"> The strong MEL team in PROSIVU can begin thinking about this modest shift now, with a view to implementation in the design update 	Nil
20. Reshape budget and human resourcing arrangements	<ul style="list-style-type: none"> Immediately extract from the Pillars a stand-alone budget for the GEDSI team to manage Consider undertaking a review of PROSIVU's gender and disability spend over financial year (FY) 2024–25 Engage disability expertise Maintain reporting line of GEDSI team to Team Leader, and review reporting lines between GEDSI long-term and short-term advisers 	<ul style="list-style-type: none"> Repeat gender and disability spend review each FY and include in annual report

2 PROSIVU at Design in 2021/2022

- 2.1 The Partnership for Inclusive Prosperity / Paseria Ba Prosperidade Inkluzivu (PROSIVU) is an eight-year, AUD83 million ‘programmatic facility’ (IDD language). Phase 1 runs for four years (July 2022 – June 2026) with a possible extension to June 2030. It is funded by DFAT, developed and delivered in Timor-Leste in partnership with GoTL, and managed by DT Global.
- 2.2 PROSIVU seeks to align with key GoTL strategic priorities. These include those set out in the GoTL’s Sustainable Development Plan, Economic Recovery Plan, PFM Strategy, Private Sector Development Strategy, Public Administration Reform Program, and National Civil Aviation policy, as well as the Joint Statement of GoTL and Development Partners, which includes gender inequality as an area for cooperation.
- 2.3 PROSIVU seeks to integrate cross-cutting issues into its work, including GEDSI, climate change, research and analysis, knowledge and communications, and public accountability and civic engagement. It works with other Australian government agencies, bilateral development programs, civil society, the private sector, and third-party development partners (where relevant and appropriate), on priority reforms aimed at growing and diversifying Timor-Leste’s economy.
- 2.4 To date, PROSIVU’s main mode of delivery has been technical advisers. These are both international and national, short-term, and long-term, working with central agencies and line ministries, to improve policies and systems, and build the capacity of key stakeholders to embed and sustain reforms. More than 90% of advisers working on PROSIVU’s predecessor program, GfD, continued with PROSIVU, and are still largely working with the same GoTL counterparts. Their roles and ToRs have been adjusted to encourage advisers to build capacity rather than substitute for internal roles. PROSIVU has been exploring a variety of new implementing modalities, including twinning arrangements and institutional partnerships; direct budget support; external training opportunities; other learning opportunities (study tours, policy dialogue research); third-party grants; and support through multilateral agencies.
- 2.5 The original design for PROSIVU had three EOPOs and 11 IOs:
- EOPO 1: Stronger, more inclusive Economic Growth through policy support for a more diversified economy and increased job opportunities, with better and more targeted use of public infrastructure investment. (IO1, and IO3a-3b, IO 4a-4b contribute to this)
 - EOPO 2: More Sustainable Public Finances through diversification of Timor-Leste’s revenue base, as well as better and more inclusive budget allocation, execution and monitoring. (IO2- IO7 contribute to this)
 - EOPO 3: Better Public Administration: a stronger, better coordinated and more responsive public administration, through improved coordination, responsiveness and accountability of government, and improved human resource capacity. (IO9-IO11 contribute to this) (Attachment A – PROSIVU Design)

3 Review Purpose and Methodology

3.1 The MTR has four objectives:

1. **Impact and effectiveness:** To assess, verify and quality assure the performance, claims of success and adequate progress towards immediate and intermediate outcomes and indications that the program is on the appropriate pathways to the EOPOs during the initial phase (2021–2026) of PROSIVU.
2. **Relevance and sustainability:** To consider the ongoing relevance and appropriateness of *each of the three components* of PROSIVU to inform what areas the investment should support. This should be with consideration to: Timor-Leste's Strategic Development Plan (SDP), priorities of Timor-Leste's IX Government; Australia's new International Development Policy; The Australia-Timor-Leste Development Partnership Plan (DPP) (draft); length of investment to date and objectives of each component; and sustainability of Australia's investment and approach.
3. **Efficiency:** To review PROSIVU's structure and ways of working, to optimise the final five years of PROSIVU.
4. **Recommendations for design update:** Informed by objectives 1–3, to provide recommendations for the next phase of PROSIVU (2026–2031) based on assessments of effectiveness, relevance (what areas the investment should support), and efficiency (how it should work through its structure and ways of working).

Primary audience

3.2 The primary users of this MTR report will be relevant stakeholders at DFAT. This includes the Australian Embassy in Dili, Timor-Leste, and the Timor-Leste Branch in Canberra), GoTL, the PROSIVU team, and PROSIVU partners.

Secondary audience

- Other GoTL stakeholders to inform social and economic policy reform priorities, and programs to further enhance equitable development outcomes
- Other Dili stakeholders' colleagues as appropriate: to inform ongoing management, learning, and adaptation to be used as evidence in improving approaches and strategies, and systems for monitoring, MTR, and reporting
- DFAT Canberra: To inform Australian programming and engagement in Timor-Leste and other similar contexts and to communicate Australia's impact
- Program implementation partners: To reinforce approaches for effective implementation, and ensure a shared understanding of program objectives
- Other development actors in Timor-Leste: To provide insights to better understand the nature, effectiveness, and model of DFAT's development approach, to harmonise and coordinate with the efforts of other international donors and stakeholders

The review process

- Pre-departure briefs from the Embassy in Dili
- Desk-based document review (see Annex 8 for documents reviewed)
- In-person meetings with stakeholders in Timor-Leste, 24 March – 3 April 2025 (Annex 9)
- Presentation of the Aide Memoire to Embassy staff on Thursday 3 April 2025
- Preparation and submission of the first draft of the MTR report

- Revision and drafting of the final report after comments were received from Dili Post
- 3.3 **Key informant interviews and focus group discussions were conducted.** The data collection process included lines of further enquiry for each of the five KRQs (see Annex 7) allowing the review team to shape and adapt their enquiry to the interests and focus of respondents. Data pertaining to all questions was collected and analysed, with particular attention to areas of major correspondence and consensus. The outcomes and the issues identified in this report were those which were verified by several different sources throughout the review. It should be noted that while there were some differing opinions expressed, the findings in this report reflect areas where there was consensus from a range of data sources.

Limitations

- 3.4 The MTR team would note two limitations. First, most, but not all, all senior government officials were available to meet the team. It was not possible therefore to have a full set of discussions regarding PROSIVU progress and performance. Second, and more substantively, PROSIVU works in many areas, with 60 partners, and 37 current advisers. In the time available it was not possible to investigate all the areas where PROSIVU works. The MTR team were thus guided by the Dili Post regarding the areas to prioritise.

4 The 2022 Design, the 2023 Update, and the Strategic Intent

- 4.1 The original IDD identified 11 OAs in three Pillars. These were modified April 2023 in joint PROSIVU-DFAT workshops. The three Pillars were retained but with slight wording changes, and the 11 OAs were reduced to 10. The MTR team would endorse these changes: they added some further clarity. However, these 10 OAs remain ambitious.
- 4.2 **EOPO 1 Stronger, more inclusive economic growth.** Central and economic agencies lead the development and implementation of evidenced-based, inclusive and internationally engaged economic policies and investments that will contribute to inclusive economic growth
- **OA1 Quality Targeted Infrastructure.** GoTL has increased regulatory capacity and investment in quality infrastructure that enhances inclusive economic growth and supports economic diversification
 - **OA2 Human Capital.** More people have skills and experience relevant to a growing internationally engaged economy, including specific focus on youth and women
 - **OA3 Business Enabling Environment.** GoTL has improved business enabling environment and accelerated investment in productive sectors towards an inclusive, internationally engaged, and diverse economy
 - **OA4 Internationally Engaged Economy.** GoTL has improved institutional, organisational and officials' capacity to support Timor-Leste's gradual integration into regional and global trade, facilitating sustainable economic diversification
 - **OA5 Long Term Economic Planning.** GoTL is able to develop evidence-based and inclusive public policies to address key economic challenges and risks

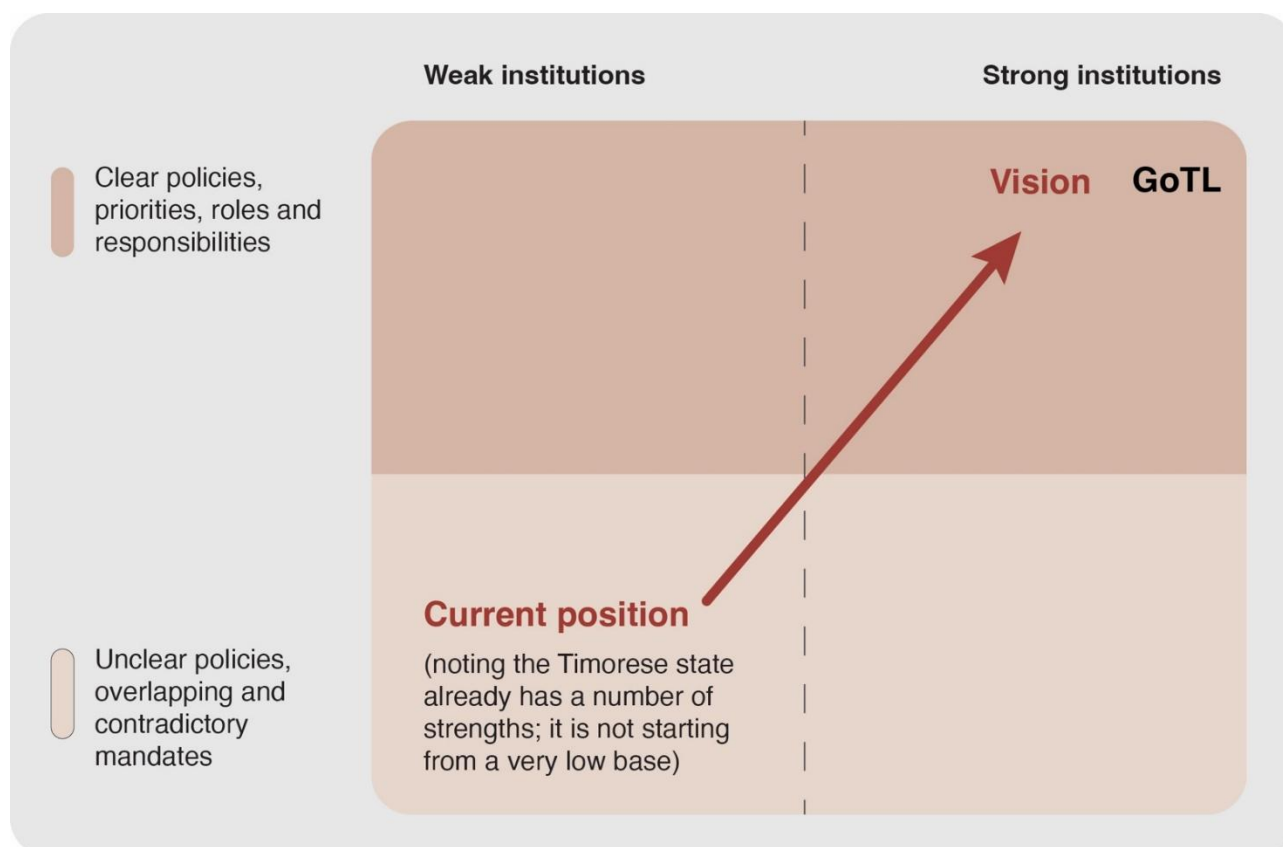
- 4.3 **EOPO 2 Sustainable public finances.** Central agencies lead a coordinated, results driven and inclusive planning and budgeting framework that is aligned with the GoTL Strategic Development Plan, and the Public Financial Management Reform Strategy
- **OA6 Inclusive Public Investment Planning and Budgeting.** Central agencies develop stronger, more consistent policy frameworks and systems that prioritise investments that drive more inclusive and sustainable growth
 - **OA7 Budget Reform.** The National Agency for Planning, Monitoring and Evaluation (ANAPMA) and MoF implement the PFM reform strategy that ensures targeted and inclusive budget allocations across sectors support the efficient and effective delivery of services and diversifies and increases revenue streams
 - **OA8 Accountable Budget Execution.** MoF and line ministry budget execution is improved by adhering to the principles of fiscal discipline
- 4.4 **EOPO3 Better Public Administration.** Central agencies lead and coordinate reforms to deliver a more inclusive, merit-based, accountable, and responsive public administration
- **OA9 Strengthened Governance Policy and Systems.** Counterpart agencies implement stronger and more inclusive governance policy and systems in targeted reform areas: cross-agency coordination, policy, and digital development
 - **OA10 Human Resources.** Ministries and agencies have improved Human Resources Management and Development systems that are merit-based, inclusive and support organisational performance
- 4.5 **PROSIVU currently has 39 IOs in these, 10 OAs.**
- 4.6 **According to current DFAT design guidelines, PROSIVU is jointly accountable with the GoTL for delivering the three EOPOs and wholly accountable for delivering 10 OAs and 39 IOs.** If this were to be interpreted strictly, PROSIVU will fail to meet its EOPOs. The questions the MTR team asked were: how is PROSIVU performing against the five KRQs and the 10 OAs? This leads to more positive conclusions – despite some issues remaining. The next two sections present summary assessments.

IDD strategic intent

- 4.7 **The IDD notes the strategic intent of PROSIVU to be:**
- Help Timor-Leste to achieve stronger, more inclusive economic growth and to maximise the benefits from infrastructure investments through better governance, economic evaluation, and project management.
 - Help Timor-Leste to achieve sustainable public finances in the long-term, including by increasing domestic revenue to reduce reliance on the Petroleum Fund.
 - Help Timor-Leste make good spending decisions, and to execute the budget efficiently and effectively, in support of the Government’s economic development and diversification objectives.
 - Help Timor-Leste improve the efficiency and effectiveness of its public administration, given the significant proportion of the state budget allocated to public administration and its important role in delivering improved basic services and facilitating private sector development.
 - Help Timor-Leste place GEDSI at the heart of evidence-based economic policy decisions.
- 4.8 **These points are more by way of restating objectives than articulating clear strategic intent.** The MTR would recommend that the strategic intent of PROSIVU be revised, possibly along the following lines.

- 4.9 The strategic intent of PROSIVU is to improve the effectiveness and efficiency of the Timorese state. It is strongly supported by the MTR team. There is clear evidence that an effective bureaucracy and a positive regulatory environment are the two main drivers for economic growth and development.^[1] This reinforces the MTRs conclusion that PROSIVU undoubtedly remains relevant – indeed critical for Timor-Leste’s future. PROSIVU has three underlying objectives: improving policies governing the business regulatory environment inclusive growth; a more transparent and accountable budgeting system; and a better performing civil service.
- 4.10 However, policies to deliver these objectives do not exist in a vacuum. They are mediated by institutions (often referred to as the rules of the game). Institutions are both formal and informal, and they will be critical for sustainability. Institutions provide the context in which all policies are designed and implemented. Evidence tells us that it is not sufficient only to improve formal *policies, rules, and regulations*, it is equally important to improve *informal institutions* – norms and values that may impeded effective implementation of policy. There is always a danger in reform programs that *informal institutions* (norms and values, what is socially acceptable) may erode the effectiveness of policy reforms. So, *the institutional effect may overcome the policy effect*. When institutions are strong, over time they may improve poor policy decisions, whereas when institutions are weak, good policies may at best not get implemented, or at worst, be reversed.
- 4.11 Figure 2 indicates what the MTR team infers to be the unwritten PROSIVU strategy: policy improvements must be accompanied by institutional improvements. This is easy to say. Influencing the formal rules of the game is hard enough (laws, rules, regulations), but influencing informal ones (social norms around attitudes to work, accountability, what the baseline study referred to as ‘cultural preferences’) is even harder. But these rules of the game influence, if not determine, individual and collective behaviour. PROSIVU has no option but to engage here, especially through the work with the CSC. Thus, in selecting its activities for support, PROSIVU must assess not only the need for the activity itself, but also – through ongoing PEA – the strength of that policy’s institutional context. Will the critical institutions support the policy reform or not?
- 4.12 In practice this means being aware of the leadership in each agency, the ‘cultural preferences’ of staff, and the commitment to performance, as well as the need for individual skills and competencies. In Figure 2, Timor-Leste sits in the bottom left-hand corner of the diagram, and PROSIVU’s intent is to shift it upwards and to the right.

Figure 2 Policies and institutions



- 4.13 In reaching judgements on this institutional context, PROSIVU should bear in mind that evidence shows that successful reforms come from situations where there is both political commitment *and* technical expertise. Political commitment and leadership come from the top, but that leadership must be translated into action by the bureaucracy. Political leadership requires strong technical support – the officials to prepare the figures, describe the options, persuade the doubters, and negotiate with external partners. This may help to explain why some PFM reforms have been moderately successful whereas public administration reforms have not.

5 Nine Issues Arising

- 5.1 **Issue 1: Theory of Change (ToC).** The IDD makes reference to a ToC in Annex 10, but the MTR team did not see a copy. For an investment of this size and importance to be operating without a ToC that is understood by all is problematic. A program logic is not the same as a ToC. A program logic suggests if we do 'a' and 'b', then other things being equal, we will achieve 'x' and 'y'. The problem is that other things are never equal. A program logic is only a theory of action, based usually on heroic sets of assumptions. This is the case with PROSIVU. Nowhere does the IDD say why the changes and reforms proposed are considered politically feasible. They may all be technically desirable, but this is not the same as being politically feasible. It is recommended that this be rectified as soon as possible. It would be sensible to do this Pillar by Pillar, as well as the whole Facility.
- 5.2 The IDD noted that 'PFM is an inherently political field'. Ongoing PEA is required to guide PFM reform support. While there will be technical aspects of the support PROSIVU provides, it must regularly review the political context at a government,

institutional, program and even activity level. PROSIVU needs to provide guidance to core staff, advisers, and partners on how to use PEA and establish procedures for recording how decisions are made and how lessons are learned along the way.

- 5.3 **Issue 2: Breadth versus depth.** PROSIVU currently has 39 IOs and 99 discrete activities. It has a presence in many of the upstream MDAs that prepare and oversee public policy. Most of these activities are relevant to the needs of public (economic and governance) policy reform.
- 5.4 **The issue for DFAT therefore, for the design update, is whether to continue ‘letting a thousand flowers bloom’, or does it wish to invest in a limited number of well-better informed and higher pay off ‘bets’?** In short – does DFAT want PROSIVU to be more facility than program? The MTR team had meetings with some MDAs where the possibility of meaningful progress seems unlikely, including with the Service for Registration and Verification of Entrepreneurship (SERVE), the newly formed Presidential Council of Ministers, the CSC, and the Ministry of Planning and Strategic Investment (MPIE). There are others where real progress has been made, where there is clear leadership and political commitment: Ministry of Foreign Affairs and Cooperation (MNEC), and the Coordinating Ministry of Economic Affairs (MCAE).
- 5.5 **Regardless of which MDAs are performing and have potential, and which are not, the question for DFAT is whether to prioritise responsiveness and relationships, rather than focus and finesse.** The arguments for both options are summarised in Table 3. Summarising, switching from relationships and responsiveness to focus and finesse may cause some irritation in the short term, but could deliver greater developmental impact and outcomes in the medium to longer term.

Table 3 Strategic choices

Strategic Choice	Pros	Cons
Relationships and responsiveness i.e. a Facility	<ul style="list-style-type: none"> • Access across most parts of ‘upstream’ GoTL governance • High visibility • Highly regarded by GoTL • Easy to say yes • Low risk low reward 	<ul style="list-style-type: none"> • Reduces potential for developmental impact • Investment decisions made on limited evidence • Creates relationship management issues for PROSIVU • PROSIVU becomes a body shop and donor of least resistance • Low risk low reward
Focus and finesse i.e. a Program	<ul style="list-style-type: none"> • Enables deeper engagement in key areas where potential for change is higher • Will enable more meaningful support beyond 1–2 advisers • Reduces management burden on PROSIVU 	<ul style="list-style-type: none"> • Will entail disengagement from current partners • Some MDAs will be left without external support

- 5.6 **Issue 3: The macro-critical importance of the budget and MoF.** Budgeting is currently informed primarily by estimates of the cash that will be available, not past performance or some mid-term financial framework. Despite multiple reform strategies – the Organisation for Economic Co-operation and Development (OECD) roadmap, International Monetary Fund (IMF) and World Bank papers emphasizing medium-term fiscal frameworks, the 2024 PFM Reform Strategy, and the 2025 MoF Strategic Five-year Plan on PFM – budgeting remains primarily informed by estimates of available cash rather than past performance or forward planning. MoF operates without formal fiscal rules while institutional fragmentation complicates matters—with MPIE controlling medium-term

infrastructure planning separately from MoF's budget process. This creates a dilemma: how can MoF establish an active Medium-Term Fiscal Framework when it lacks enforcement authority across government, and annual budget credibility remains low due to virements and limited fiscal control of expenditures? Until the new planning law clarifies institutional responsibilities and addresses the underlying political economy factors that drive short-term budgeting practices, medium-term frameworks risk becoming paper exercises disconnected from actual resource allocation decisions. Given the importance of budgeting (the full cycle encompassing planning, disbursements, spending, recording, reporting, accounting, auditing, analysis of impact), the design update should prioritise OA7.

5.7 Given this, the MTR would therefore suggest that the following areas offer the potential for the greatest transformational impact:

- Budget preparation and execution (OA7, especially IO7.1, IO7.2, IO7.3, IO7.6).
- The business enabling environment (OA3, IOs will need resetting). This is problematic at the moment but is critical for the long term.
- ASEAN accession (OA4 both IOs). This is the single most powerful current driver of change. PROSIVU should provide all the support it can.

5.8 And possibly:

- VAT design and implementation (IO7.4). Diversifying revenue is important, but VAT will increase tax take by only 2-4% of Gross Domestic Product (GDP).
- The National Institute of Statistics Timor-Leste and the Central Bank of Timor-Leste. It is hard to judge the impact of statistics work, but better planning cannot come without better data. This should continue.
- Infrastructure support (OA1) is tricky. It is politically important, but it does not align with the rest of the Facility. It may be hard to drop without an alternative source of support.
- Procurement is critical but is a major a major source of rents. Two possible conclusions can be drawn: it is such an important function that PROSIVU must retain a presence there, or it is so political that PROSIVU may not make a difference. The MTR team would support the first conclusion.

5.9 Which areas of PROSIVU are 'nice to have' and which areas the MTR team would recommend DFAT to consider dropping:

- Tourism is unlikely to make big impact on either GDP or employment creation. The sector will grow but is likely to remain a niche market. Work here is better covered by the new Private Sector Program.
- Climate change. This is critical for DFAT but seemingly less so for the GoTL. It is not easy to see where this can be added to PROSIVU.
- Public investment planning. The MTR team are doubtful that major investment decisions will be taken on the basis of economic internal rates of return.
- Human capital. It is not clear why this is in PROSIVU. The MTR team was given to understand that this work will be transferred to the new labour mobility program. This is sensible.
- State owned Enterprise is an area that is highly politicised. It is hard to judge how much progress can be made.
- Debt management. Is this a national priority right now? The MTR team did not hear it prioritised.
- TIC Timor. Good work done to date but is it a core PROSIVU responsibility?

- 5.10 **Issue 4: The number and role of advisers.** In many of the MDAs where PROSIVU is working, the contribution is 1–2 advisers. Currently PROSIVU has 30 advisers in GoTL MDAs, with five more under recruitment. This raises a number of questions.
- 5.11 **Will advisers improve organisational performance of the MDA?** No organisational assessments have been undertaken in partner MDAs to identify the particular challenges faced by the MDA.² On what basis are decisions taken that the ‘answer’ to capacity issues is always an adviser? There are usually many other causes of poor performance, including a lack of performance oversight and staff management, limited supervision, feedback and performance assessment, the absence of delegated authority which can disempower staff, weak information management, dysfunctional organisational structures, unclear job descriptions, poorly functioning office system (for information, money, and record keeping), inappropriate organisational structures, and weak leadership. Is the placement of an adviser (or advisers through the twinning process) always the right response?
- 5.12 **How is PROSIVU measuring the *organisational* impact of these advisers?** They may all be doing much needed work, but will it improve organisational performance? How will we know?
- 5.13 **MoF has expressed desire for greater visibility into adviser performance reports, which are currently not shared with them.** They have also indicated their preference for engagement through ‘main doors’ rather than multiple entry points, suggesting a need for more streamlined communication channels. The PSC approves annual work plans. There may be need for more frequent review processes given the rapidly evolving ministry priorities, potentially through minister-ambassador communications or other senior-level engagement mechanisms that connect political, executive, and DG levels. The MTR team supports these proposals.
- 5.14 **All GoTL interlocutors were fulsome in their praise for the TA provided by PROSIVU.** Everyone wanted more. No-one said, ‘our need for TA is coming to an end’. Some noted a desire that, in design update, international TA could be replaced by national TA. This speaks highly of PROSIVU’s ability to meet a perceived need. However, there is a possibility that GoTL has come to see PROSIVU as a body shop, and the line of least resistance when a problem arises. For their part, PROSIVU are not able to know of an adviser is ‘the answer’ to the priorities of the MDA.
- 5.15 **The MTR team were able to speak directly with only one or two advisers (they did not participate in discussions with GoTL colleagues).** However, in discussions with both DFAT and the PROSIVU team, it is clear that, as would be expected, the 30 advisers work in different ways, dependent on their own skills sets, preferences and MDA context. Ideally, advisers should operate at the right-hand end of the spectrum in Figure 3 but be willing and able to slide along the spectrum according to the exigencies of the day.

² There are many tools for this – from McKinsey’s simple 7S model to the far more sophisticated Burke Litwin model

Figure 3 The adviser spectrum



- 5.16 **Issue 5: Revisiting the relationship with MoF to ensure PROSIVU and its ways of working are supportive of MoF needs and processes.** Many parts of PROSIVU engage with MoF, but insufficiently with the office that really matters: the Executive Office. The new government has restructured management of the PFM reform process, and some of PROSIVU's main points of contact appeared to the MTR team to be less centrally involved.
- 5.17 **A recalibration of the PFM reform engagement modality is therefore needed.** While the Ministry's Strategic Plan outlines important priorities around fiscal sustainability and program budgeting, the current engagement model primarily connects with DGs rather than the Executive Office where reform decisions are centralised. This structural misalignment limits PROSIVU's ability to contribute meaningfully to the Ministry's stated reform agenda. The MTR team understands that this is now underway, led by Dili Post.
- 5.18 **Issue 6: The choice of strategy has implications for PROSIVU resourcing.** Managing 100 or so activities and 60 partners places a heavy burden on the team. Much of PROSIVU's time is spent managing the multiplicity of relationships inherent in the Facility. The time spent here does not translate easily into the delivery of IOs. DFAT has delegated the responsibility for day to day operational 'relationship management' to PROSIVU. This is to be welcomed, but it has been achieved at the cost of reduced focus on monitoring progress and performance. If DFAT continues to prioritise 'responsiveness and relationships' then it may require additional resources to PROSIVU to deliver this effectively.
- 5.19 **This MTR report has already noted the ambition of the IDD and the three EOPOs.** Each could be a program on their own. The MTR team would note that developmentally there is a long way from the IOs to the EOPOs. Even if the IOs are all achieved, it does not logically follow that the EOPOs have been achieved. This MTR therefore has focused on

progress at the IO level. The team have followed the revised April 2023 program logic that groups the 39 IOs into 10 OAs. The team recognises that this is an organisational device and not another step in the logic chain.

- 5.20 **Issue 7: The MTR team would recommend that the design update should continue the three current Pillars but with all three having a narrower focus. Should DFAT wish to maintain the ‘responsiveness’ of PROSIVU yet at the same time narrow its focus in order to increase its impact, then the design update should consider a fourth, unspecified Pillar. This brings some benefits but also potentially high costs (mission creep, and inability for Dili Post to decline requests). The MTR team would not recommend this.**
- 5.21 **Issue 8: The primary contemporary driver of change for policy reform is external: the accession requirements of WTO and ASEAN. PROSIVU has performed well here, in a context where many donors are providing support. GoTL will decide which donor is asked for what support, so PROSIVU can only respond to GoTL demands. This it has done impressively to date. Support to MNEC has proved effective, as has support to MCAE for the WTO accession process. The lesson here is one that has been consistently found in governance programs: that where there is strong political and technical leadership of any MDA then progress is likely. Further support here should be a priority for the design update.**
- 5.22 **Issue 9: The vision for civil service reform is good, but implementation faces challenges. The civil service provides employment in a job-scare economy. This is legitimate where resources are available – which they are now in Timor-Leste, but they may not be in 10 years. It is important to remember that decisions regarding the civil service will not always be ‘first best’ from a technical perspective. The design update must be aware of this.**

6 MTR Assessment of Progress

Pillar 1: Inclusive economic growth

- 6.1 **There remains strong demand for PROSIVU’s support from its partners. However, it is recommended that PROSIVU rethink its approach and reassess support to some of the OAs.**
- 6.2 **PROSIVU support to infrastructure is important and in line with the GoTL priorities. The Civil Aviation Authority Timor-Leste (AACTL) has benefited from PROSIVU’s support. There has been improvement in regulatory frameworks regarding air control and other technical areas. The 2024 AACTL report identified funding issues in the sector, but International Civil Aviation Organisation regulations were met. There may be a need to reassess the training provided to AACTL staff.**
- 6.3 **The National Designated Authority has operational responsibility for climate change in the GoTL. However, the MTR team found no evidence of any clear vision. The structure of the National Designated Authority is vague. The MTR team have concluded that support here should end.**
- 6.4 **The aspiration to have a ‘One Stop Shop’ for investment is far from being realised. GoTL has been campaigning intensively recently to mitigate the hurdles of doing business. PROSIVU’s support to TradeInvest and the National Procurement Commission (NPC) and SERVE have been notable here. Regardless, the efforts made to harmonise**

laws and regulations in the enabling business environment have yet to deliver significant results. The absence of land and property law remains an obstacle in creating a welcoming business enabling environment. The MTR team found a coordination gap between TradeInvest and SERVE. TradeInvest is better equipped, while SERVE remains under resourced. The MTR team would recommend continued support to TradeInvest and SERVE. These are critical agencies for economic growth and diversification.

- 6.5 **Accession to the WTO and the upcoming integration into ASEAN are driving reform and change.** Regarding ASEAN, the personal support of the national leadership, notably the Prime Minister and the President, has been critical. The MTR team noted the effectiveness of the advisers in supporting this agenda. This is the one driver of reform that is non-negotiable and enjoys huge political commitment. PROSIVU should take advantage of this and identify if further support can be provided which would intensify the pace of regulatory reform and improving business licensing.
- 6.6 **There has been good collaboration between the Australian Bureau Statistic and the National Institute of Statistics.** This has included work on the census and national accounts. However, it appears that how to use the data that has been generated for policy development remains an issue. The support of PROSIVU in this area remains important and should continue.

Pillar 2: Sustainable public finances

- 6.7 **The transition to the 9th Constitutional Government coincided with DFAT's launch of the new PROSIVU program, which includes a PFM Pillar physically located within MoF.** Despite this structural proximity, engagement challenges have persisted. The MTR team were told that the Pillar was a little slow to adapt to the priorities of the new government and MoF leadership. PROSIVU on the other hand said they had been waiting to get direction from the government for 12 months.
- 6.8 **The new Strategic Plan offers a clear roadmap for PFM reforms and an opportunity for development partners to realign their engagement approaches.** Success will require:
 - Prioritising relationship-building with the Executive Office of the Minister
 - Demonstrating responsiveness to leadership priorities as articulated in the Strategic Plan
 - Providing TA that directly addresses the critical system issues identified
 - Establishing measurable indicators of influence and impact
 - Focusing resources on specific reform priorities rather than legacy agendas.
- 6.9 **The most consequential issue has been the Pillar's inadequate engagement with the Executive Office of the Minister.** This lies at the heart of decision making in MoF and directs the nature and pace of reform. This misreading of the institutional dynamics left the Pillar slightly isolated from key decision-making processes. In the recent past, there have been concerted efforts to ensure regular check-ins including a proposed regular bi-monthly meeting between DFAT/PROSIVU and MoF.
- 6.10 **Technical credibility issues.** Concerns were raised with the MTR team regarding the quality of some (but by no means all) technical advisers. Key issues include:
 - Technical advice that has not adapted to the local context
 - Slow response times to urgent executive requests
 - Limited understanding of MoF's reform priorities
 - Inadequate relationship management with key change agents

- At the same time, the MTR team recognises the delicate institutional environment PROSIVU operates in with changing priorities at MoF.
- 6.11 The planned dissolution of the Public Financial Management Capacity Building Centre and its reconstruction under new leadership will constitute a new challenge for the program. Continued investment in relationship-building will be critical.
- 6.12 Program budgeting reform implications. PROSIVU has provided consistent support to program budgeting throughout the reforms. Budget advisory support was recruited and ready to be deployed in 2023 and was put on hold at MoF's request. Once their position changed, PROSIVU began again to recruit support.
- 6.13 MoF continues to undertake reforms to program budgeting and the M&E framework, including:
- Eliminating cross-cutting programs that span multiple ministries
 - Developing ministry-specific program structures
 - Refocusing outputs and outcomes to better align with parliamentary oversight requirements.
 - DFAT may wish to reconsider its investment approach:
 - Budget support mechanisms may offer more leverage than the current TA model
 - Targeted initiatives like the fiscal monitor could potentially be separated from the broader program if they demonstrate specific value
 - Without modest changes to the engagement approach, continued investment may not maximise results
 - Ensure faster recruitment processes to keep in speed with MoF requirements.
- 6.14 A recalibration of the Pillar's approach is required that:
- Prioritises relationship-building with the Executive Office of the Minister
 - Demonstrates greater responsiveness to leadership priorities
 - Replaces technical advisers who have lost credibility with the Ministry
 - Establishes clear, measurable indicators of influence and impact
 - Channels resources toward the specific reform priorities identified in the Strategic Plan and which enjoy strong political and technical support.

Pillar 3: Better public administration

- 6.15 This Pillar has two OAs and seven IOs. In the draft 2024 Annual Progress Report, progress in three of the IOs were judged as reasonable, two were judged as challenging, and two as highly challenging. The two highly challenging IOs referred to the ability of the GoTL to coordinate reforms and the capacity of MDAs to deliver training. The MTR would concur with these judgements. The public service offers a significant source of employment opportunities.
- 6.16 PROSIVU has provided support to TIC-Timor, and this has undoubtedly proved beneficial. However, the MTR team have concluded that it may be time to reassess whether the support should continue. Local capacity appears able to meet future needs.
- 6.17 The CSC is under new management. Many challenges confront the civil service: the absence of meaningful-performance evaluation within MDAs and no CSC oversight of the system; the CSC remains focused on formal policies, rules, and regulations, with less emphasis on oversight and accountability. MDAs remain unaware of the role of the CSC and plan and deliver their own training. Despite relatively weak civil service wide performance, the CSC is pushing for a wage 'readjustment' upwards of 1–2% in 2025.

The total cost of wages and salaries currently is about USD250 million per annum. This excludes adviser salaries – which are paid from goods and services. The MTR team was told that the total cost of the advisory bill equated to the costs of 37,000 formal civil servants (out of a total of about 39,000).

- 6.18 The CSC is now drafting a five-year plan and requested support from PROSIVU to do this. The CSC has set priorities for 2025:
- Revisions to the career system
 - A revised remuneration framework
 - Integration of SIGAP and the MoF payroll
 - Identifying the budget for capacity development
 - Character building in the civil service (ethics, values, induction, discipline).
- 6.19 One key issue that has not been developed and implemented is performance assessment. The MTR team were informed that there is no performance assessment system operational GoTL-wide currently, and its potential role is not well understood. Performance accountability (recognition, however prescribed, of doing a good job, and consequences of doing a poor job – or not doing it at all) is key to the civil service becoming more effective and efficient. Putting in place such systems is notoriously challenging, but PROSIVU, DFAT and the CSC should consider whether a modest pilot scheme should be introduced in the CSC in any design update.
- 6.20 A Task Force (CSC and MoF) has been set up, *inter alia*, to investigate and plan the integration of SIGAP and payroll. This is a huge undertaking and requires considerable pre-implementation work: the establishments list has to be checked and verified, and the payroll has to be cleaned of ghost workers. These tasks can take up to two years. However, from a financial management perspective the integration of the two data bases should be a real priority for GoTL and thus for PROSIVU. It is recommended that this be the major priority for PROSIVU for the remainder of Phase 1 and design update.
- 6.21 The major concern of the CSC was the low level of individual skills and competencies in the civil service. This was a consistent refrain in all the MTR meetings with GoTL: every problem was one of capacity. The MTR team would not deny that there are skill gaps, but there are other factors that constrain MDA performance: poor leadership, inadequately defined vision, no job descriptions or annual work plan, no supervision, feedback or performance assessment, the absence of delegated authority (thus disempowering staff), fledgling systems of information management, ill-fitting organisational structures, inappropriate appointments)... the list is long. The response should not always be the deployment of an adviser. This is a risky strategy for PROSIVU.
- 6.22 DFAT should reflect on its investment approach in this Pillar:
- The placement of advisers may not address the core issues in organisational performance
 - It is questionable regarding the extent to which 1–2 advisers can make a difference to organisational culture and performance
 - Is there convincing evidence that adviser activity translates into improved organisational performance? What is the ToC here?
- 6.23 A recalibration of the Pillar's approach is required that:
- Given the importance of institutions (as outlined in paragraphs 4.7 – 4.13), PROSIVU should remain engaged with the CSC particularly under its new leadership
 - The scope of support should be narrower and increasingly focused

- Priorities should be threefold: the integration of SIGAP and MoF payroll; helping the CSC transition its role of rulemaking to supporting MDAs deliver; and a laser-like focus on individual and organisational accountability and the emergence of a performance culture.

MEL Plan

- 6.24 While there are legitimate concerns about PROSIVU's MEL Plan, it is important to recognise the positive aspects of their IO-level work. The team is making a genuine effort to refine their program logic and move beyond simple activity tracking to assess IOs. This represents a more sophisticated approach to MEL that acknowledges the complex change processes involved in governance and economic reform.
- 6.25 The recognition that 'quantitative data alone doesn't tell the full story of progress' demonstrates maturity in evaluation thinking. Efforts to incorporate qualitative evidence through case studies and stakeholder feedback shows an understanding that meaningful change often cannot be captured through numbers alone.
- 6.26 However, one critical question emerges: Does every technical adviser within PROSIVU understand this evolution from activity-level to IO-level measurement? As PROSIVU shifts from tracking outputs to assessing outcomes, there is a risk that advisers embedded across government might continue operating with an activity-completion mindset rather than focusing on contribution to higher-level changes.
- 6.27 The complexity becomes even more pronounced when communicating this shift to DFAT. How does PROSIVU effectively explain the transition of a focus on activities to IOs in a way that maintains accountability while acknowledging the messier reality of institutional change? This represents a significant communication challenge that could impact program assessment.
- 6.28 The issue of shared accountability raises particularly thorny questions. When multiple stakeholders (PROSIVU, government counterparts, and other development partners) contribute to the same outcomes, how is responsibility apportioned? Does everyone clearly understand what they are being measured against? The current framework may not adequately define these shared accountability boundaries.
- 6.29 A tension exists in the measurement approach. DFAT's eight VFM principles in the contract create one set of expectations, while PROSIVU appears to be developing a more nuanced framework. This misalignment raises questions about whether PROSIVU can be truly adaptive if constrained by potentially rigid contractual metrics. (See Annex 5 for an extended discussion of adaptive management).
- 6.30 For the design update, both PROSIVU and DFAT should consider the following:
- How can they create shared understanding of success metrics that satisfy DFAT's accountability requirements while allowing PROSIVU the flexibility to adapt to emerging needs?
 - What mechanisms would enable joint accountability where multiple actors contribute to outcomes without creating perverse incentives or attribution battles?
 - How might PROSIVU build capacity among its advisers to think beyond activity completion toward contribution to systemic change?
 - Could a revised contract framework better accommodate adaptive programming while maintaining appropriate oversight?
 - What level of delegated authority is appropriate?

- What communication approaches would help stakeholders understand the messy reality of change processes without diminishing confidence in the program's effectiveness?

MTR Assessment by OA

6.31 Table 4 summarises the MTR teams view of progress by OA.

Table 4 Summary assessment by OA

Outcome Area	MTR comment
EPO1 Stronger, more inclusive economic growth. Central and economic agencies lead the development and implementation of evidenced-based, inclusive and internationally engaged economic policies and investments that will contribute to inclusive economic growth	Nil
OA1 Quality Targeted Infrastructure. GoTL has increased regulatory capacity and investment in quality infrastructure that enhances inclusive economic growth and supports economic diversification	<ul style="list-style-type: none"> • PROSIVU has provided some excellent inputs here, particularly in the aviation sector. The question is the extent to which it coheres with the wider Facility. The MTR appreciates the importance of this work to DFAT. If there is no other investment in DFAT's country portfolio, and DFAT wish to maintain responsiveness and increase impact, a fourth 'unprescribed' Pillar could be added to house such investments
OA2 Human capital. More people have skills and experience relevant to a growing internationally engaged economy, including specific focus on youth and women	<ul style="list-style-type: none"> • The MTR team was given to understand that this work will be moved to the new labour mobility program now being designed. This is sensible and is to be welcomed
OA3 Business Enabling Environment. GoTL has improved business enabling environment and accelerated investment in productive sectors towards an inclusive, internationally engaged, and diverse economy	<ul style="list-style-type: none"> • Progress here has been slow and hard work. Yet it is of such critical important to the economic diversification agenda that the MTR team would recommend its continuation. Indeed, if PROSIVU is to be narrowed down in its design update, this work should be intensified, but only after a more detailed assessment of what the organisational challenges are
OA4 Internationally Engaged Economy. GoTL has improved institutional, organisational and officials' capacity to support Timor-Leste's gradual integration into regional and global trade, facilitating sustainable economic diversification	<ul style="list-style-type: none"> • This has been the stand-out success of PROSIVU. It reasserts the research finding that where there is strong political commitment as well as capable technical leadership, then progress can be made. Clearly this work should continue. PROSIVU and DFAT should consider the extent to which WTO accession and integration into ASEAN could drive further economic, fiscal, and regulatory reform. If the conclusion is yes, then these areas should influence if not determine PROSIVU investment choices in the remainder of Phase one and for the design update
OA5 Long Term Economic Planning. GoTL is able to develop evidence-based and inclusive public policies to address key economic challenges and risks	<ul style="list-style-type: none"> • Some progress, but GoTL interlocutors were hesitant to claim data was a key driver of decision making
EPO2 Sustainable public finances. Central agencies lead a coordinated, results driven and inclusive planning and budgeting framework that is aligned with the GoTL Strategic Development Plan, and the Public Financial Management Reform Strategy	Nil
OA6 Inclusive Public Investment Planning and Budgeting. Central agencies develop stronger, more consistent policy frameworks and systems	<ul style="list-style-type: none"> • Public investment planning suffers from institutional fragmentation and coordination challenges among MPIE,

Outcome Area	MTR comment
that prioritise investments that drive more inclusive and sustainable growth	<p>MoF, National Development Agency, and Administrative Council of the Infrastructure Fund</p> <ul style="list-style-type: none"> • PROSIVU's development of prioritisation methodologies and planning systems are at an early stage and too soon to be assessed for impact • TA struggles to address fundamental structural issues, with stakeholders describing medium-term planning as disconnected from annual budgeting that drives actual expenditure • Infrastructure planning and budgeting is fragmented in the country and requires high level political will to bring stakeholders together
OA7 Budget Reform. ANAPMA and MoF implement the PFM reform strategy that ensures targeted and inclusive budget allocations across sectors support the efficient and effective delivery of services and diversifies and increases revenue streams	<ul style="list-style-type: none"> • Budget reform shows mixed results with stronger VAT implementation and program budgeting in MoF but persistent challenges in line ministries • TIFIS faces usability issues despite deployment – but has high buy in from the executive office in MoF • Gender and disability budgeting remain procedural rather than transformative, with limited substantive implementation beyond policy documents
OA8 Accountable Budget Execution. MoF and LMAs budget execution is improved by adhering to the principles of fiscal discipline	<ul style="list-style-type: none"> • Budget execution support shows uneven progress with effective TA to the National Procurement Commission but paused at MoF request • Budget execution in MoF has operated disconnected from M&E processes in the past. The creation of UMAD and the analytical support provided by TIFIS show space for engagement in this hitherto limited space. However, UMAD has a big agenda, and TIFIS will need to build local capacity for this to be a lasting change
EOPO 3 Better public administration Central agencies lead and coordinate reforms to deliver a more inclusive, merit-based, accountable, and responsive public administration	Nil
OA9 Strengthened governance policy and systems. Counterpart agencies implement stronger and more inclusive governance policy and systems in targeted reform areas: cross-agency coordination, policy, and digital development	<ul style="list-style-type: none"> • Limited evidence of this to date. Some progress is being made with respect to formal written policies and regulations, but there is scant evidence of implementation • Procedures for cross MDA coordination were referred to in meetings, but all interlocutors noted the difficulty of translating this into meaningful collaboration. MDAs seem to compete rather than collaborate • There was enthusiasm for digitisation. The Business Licensing Agency (SERVE) demonstrates the challenge: 63,000 businesses are registered. The office has one scanner which broke the day before the MTR team visited. 45,000 licenses remain to be scanned – and scanning of course is just the start of the digitisation oversight process
OA10 Human Resources. Ministries and agencies have improved Human Resources Management and Development systems that are merit-based, inclusive and support organisational performance	<ul style="list-style-type: none"> • This may be the hardest OA to be achieved. The challenge for DFAT is that this OA is one of the most critical areas to be reformed but international experience tells us that it is also the one that will be most resistant to reform

7 PROSIVU Assessment Against the Five KRQs

Relevance – How has the context changed between its inception and the current time, and are PROSIVU’s reform areas still relevant? How relevant and appropriate are: each of the Pillars of PROSIVU; to what extent is the overall program model relevant and efficient; and PROSIVU’s learning and adaptive management approaches, in informing what areas the program should support?

- 7.1 How relevant are PROSIVU’s Pillars? The three Pillars undoubtedly remain relevant both for the GoTL and for DFAT. The Pillars should continue in any design update. The question for DFAT to consider is the scope of investments within each Pillar. As has been discussed in this report, the MTR team would recommend that the scope be narrowed in all Pillars.
- 7.2 Are the current ToC and Pillars relevant and are the current work programs compatible with GoTL capacity? As noted, there is no ToC for PROSIVU or any of the Pillars. The absence of a ToC makes it impossible to test progress against investment assumptions, as there aren’t any. The EOPOs remain relevant, despite being broad in scope. PROSIVU has had few effective links with other DFAT programs, notably PHD and MDF. It has delivered some programmatic cooperation with the International Finance Corporation (IFC). This should be addressed in the design update. Current work programs largely respond to GoTL priorities.
- 7.3 To what extent has PROSIVU reacted to changing context? PROSIVU has responded well to changes in GoTL policy following the 2023 election. It has done so by responding to GoTL (and DFAT) requests as they arise. It has also achieved this by explicitly pausing some activities. PROSIVU and DFAT should now consider whether these activities (and thus IOs), should remain in PROSIVU.

Impact and effectiveness – To what extent has PROSIVU delivered against its annual workplans and EOPOs?

- 7.4 To what extent are central agencies investing in evidence-based policies? This is hard for the MTR to answer unequivocally, and it varies by MDA. Unsurprisingly, MoF is the ministry that demonstrates the keenest appetite for data and evidence. Indeed, it is now setting up its own monitoring system to record other MDA progress. While in and of itself admirable, the MTR team would question the extent to which MDAs have the collective capability to comply. The drive to join the WTO and ASEAN is the main driver for the collection, collation, and use of data. It is noticeable that this is an external, and thus non-negotiable, driver. There is less evidence of demand for data being sourced internally.
- 7.5 To what extent is evidence available, accessed and used by central agencies for planning and budgeting? Central agencies show limited progress in evidence utilisation despite established frameworks. Evidence gathering has faced serious challenges as the organisational responsibility for it has changed several hands over the last 10 years: UPMA, ANAPMA and now the recently formed UMAD unit in MoF (which will look at across government M&E). It is starting up and only has a DG and one adviser for the massive endeavour. The TIFIS project uses nonfinancial and financial information from MDAs and the IFMIS under MoF – however use for decision making will be evident in the coming years. At the MDA level, bigger line ministries often have Management

Information Systems (MIS), but these are not used consistently. Data gathering at the municipal level is encumbered by the lack of tech and human resources.

- 7.6 To what extent are central agencies delivering a more inclusive, merit-based, accountable, and responsive public administration? Achieving this is unlikely. The CSC has new leadership and a clear vision. It is drafting a five-year plan. A strategy for Human Resources reform is under preparation which will focus on re-establishing meritocracy in appointments, postings, and promotions. There are six priorities for 2025 including the clarification of career schedules, remuneration, and integration of the establishment database with MoF payroll. The latter should be a priority for PROSIVU for the remainder of Phase 1. Connecting the establishment with the payroll is one of the single most important mechanisms for managing the recurrent budget.
- 7.7 The CSC is young, and its culture is shaped by history. Many post-conflict countries have used the public service to create jobs, distribute patronage and maintain the peace. In some cases, delivering public services effectively and efficiently does not feature high on the list of priorities. This is the ongoing risk for the CSC in Timor-Leste too.
- 7.8 EOPO 3 (better public administration) has two OAs and seven IOs. The 2023 Progress Report notes that prospects for all seven IOs are judged to be 'reasonable'. These assessments have been downgraded in the 2024 (draft) Annual Progress Report: only three are now judged 'reasonable', with two considered 'challenging' and two more 'highly challenging'. The MTR team would agree with these assessments. However, the MTR team would note that the IOs are all steps on the way to achieving real world outcomes: the IOs could be achieved without actually improving the effectiveness or efficiency of the civil service. There is nothing wrong with this in program logic terms, but it *does require DFAT and PROSIVU to consider whether it is politically likely that the IOs will actually deliver the two OAs, and will the two OAs deliver the EOPO?* These are moot questions. The MTR considers the EOPO will not be achieved, and neither will some of the IOs.
- 7.9 The challenge for DFAT is to decide between two competing arguments. The first view is that the CSC is insufficiently powerful to implement the reforms envisaged, and that the current context makes it unlikely that the civil service will become increasingly meritocratic. This Pillar has delivered few real-world outcomes to date (and similarly with GfD in the past). One conclusion would be to withdraw and channel funds to EOPOs 1 and two where there is more traction.
- 7.10 The second alternative is to recognise this challenge, but to re-emphasise the importance of institutions that was discussed in the latter section of section 4. Clearly the civil service, its rules and regulations, the quality of technical leadership, its norms and values, and its performance orientation is the single most important *institution* in drafting, implementing, and monitoring policy and program performance in the country. If the institutional quality of the civil service is poor, then it is likely that the policies produced and implemented will be poor too. Taking this view, the CSC is too important an organisation not to be supported.
- 7.11 PROSIVU has three options:
- To withdraw from supporting the CSC in the design update, on the basis of the first argument
 - To ramp up support to CSC and make it a stand-alone program with increased resourcing. This option is made on the bases of the second argument; or

- To maintain EOPO 3 as it is now, but with a greater focus on leadership, individual civil servant performance and accountability, and (possibly) some sort of incentive fund for the CSC enabling it to be more demanding in its role working with line ministries

7.12 The MTR team recommends the third option.

7.13 To what extent is PROSIVU's M&E system collecting timely performance data that informs decision-making and future directions?

7.14 PROSIVU has developed qualitative data collection systems including program logic definitions of success and current progress narratives by OA, providing useful historical context. However, clear month-to-month reporting procedures and integration of various adviser reports into cohesive logframe tracking remain undefined. While expenditure tracking aligns with DFAT principles, it offers limited insight into OA progress or efficiency. Several key indicators (like percentage of national budget for infrastructure or gender allocations) are entirely owned by line ministries, raising questions about assessment methodology and relevance, as these measures fall outside PROSIVU's direct influence. This disconnect between indicators and program control creates challenges in meaningfully evaluating performance and informing strategic decisions.

Efficiency – How well is PROSIVU working?

7.15 To what extent is PROSIVU demonstrating appropriate use of resources, using appropriate management and implementation arrangements, and promoting adaptive management? PROSIVU's budget allocations reveal implementation challenges. OA6 (Inclusive Public Investment Planning) and OA8 (Accountable Budget Execution), which received minimal funding until 2025 when increases suggest strategic course corrections after initial difficulties. The substantial growth in Pillar 2 funding from AUD679,874 in 2023 to AUD2.5 million in 2025 indicates a strategic switch to PFM. Given the thrust on PFM, improved engagement with MoF will be key to achieving results.

7.16 Pillar 1 consistently receives the largest allocation, growing from AUD3.2 million to AUD4.8 million. This suggests stronger implementation pathways and government engagement especially on ASEAN accession. Conversely, Pillar 3 shows declining investment from AUD1.37 million to AUD639,059, potentially indicating reduced reform space or shifting priorities. PROSIVU has maintained appropriate management arrangements with consistent governance expenditure around AUD1–1.4 million annually, though this decreases in 2025 as implementation scales up. Operational costs show significant front-loading (AUD 1.55 million in 2023 dropping to AUD647,250 in 2025), suggesting appropriate investment in establishing systems before transitioning to implementation. MEL expenditure similarly decreases annually, raising questions about continued learning capacity as implementation accelerates. PROSIVU and PARTISIPA's joint operational, HR and finance teams should deliver cost savings.

7.17 The 2023 Annual Report raised the issue of PROSIVU advisers' performance not being under the purview of MoF. MoF has been requesting joint review of adviser work since 2023. In 2024, MoF stressed the importance of PFM work being done in line ministries, and the importance of ensuring it coheres with MoF guidelines. (That 2-line ministries admitted they 'did not really understand' program-based budgeting emphasises the need for such coherence). This does not seem to have happened to date. One DG in MoF noted that 'we need better PFM counterparts in line ministries – advisers we can trust'.

- 7.18 To what extent is PROSIVU monitoring and managing risks, working collaboratively internally (e.g. with other DFAT programs e.g. PARTISIPA and with GoTL and other governance actors, and implementing/contributing to localisation? There is limited evidence of collaborative efforts between PROSIVU and other governance programs. While PARTISIPA has worked with PROSIVU through a shared adviser in MoF, this collaboration stems from established relationships rather than systematic coordination. These programs now share operations teams under the same managing contractor, reducing costs but lacking strategic integration. For this to occur, DFAT must take the lead in facilitating engagement among its major programs.
- 7.19 How effectively is PROSIVU engaging with key partners and working with other programs to achieve outcomes? Collaboration has been limited. The MTR team would recommend building into new designs and design updates (possibly) one common EOPO (but definitely) at least one common IO. Thus, different programs are incentivised to work jointly on one common annual work plan and budget, with respective tasks clearly defined.
- 7.20 Are PROSIVU's choice of modalities the most appropriate and effective for delivering against its outcomes? PROSIVU's default response to all requests is the provision of an adviser. This dependence on TA began at independence through UNTAET and it has become entrenched (see paragraphs 5.10-5.15). This is one of the reasons the MTR team is recommending a 'slimming down' of the program, reducing the number and spread of IOs. This will enable PROSVU to give more resources to priority issues and MDAs, and to make available a wider range of modalities. In so doing however, support should be based on some sort of organisational assessment: it is critical that the requesting MDA and PROSIVU (and of course DFAT) know precisely what the problem to be addressed actually is.
- 7.21 Are PROSIVU's governance structures fit-for-purpose and supporting effective implementation and decision-making? The governance arrangements as outlined in the IDD have been implemented with the exception of the PROVISU Strategic Assessment Team. A possible explanation is that it was no longer considered necessary. By contrast, the PSC appears to be functioning well. It met on 23 February 2023 and 11 April 2024. The minutes of the 2023 meeting noted that the annual work plans were endorsed, but there is no similar endorsement in the 2024 minutes.
- 7.22 It appears that the plans were submitted by PROSIVU to the PSC. The MTR team were advised by PROSIVU that all plans and proposals are discussed 'continually' with partners in the GoTL, and thus by the time of the formal PSC, there are no 'surprises'. This is welcome. However, DFAT may wish to reflect on whether the PSC should be given a more formal role in considering the forward plans. This would align with DFAT's Locally Led Development goals.
- 7.23 The Working Groups as proposed in the IDD also appear to be functioning. This is where the bulk of the planning takes place and is appropriate.

Cross-cutting – To what extent does PROSIVU’s activities work towards / support inclusion of and / or reduce inequality for women, people with disabilities, youth and other marginalised groups, and integrating considerations of climate change and disaster risk resilience into its work?

7.24 To what extent is PROSIVU making progress towards expected GEDSI results for PROSIVU pillars?

Supporting women’s economic empowerment is not only to build women’s self-confidence, generate income, manage their own money, and make decisions but also defend their rights, and say no to violence, discrimination and traditional practices that have a negative impact on women and girls.

Country Statement by H.E Ms. Elvina Sousa Carvalho, Secretary of State for Equality, Timor-Leste, Sixty-ninth Session of the Commission on the Status of Women, New York, 10-14 March 2025

Citizens with disabilities have the right to...the assurance of not being discriminated against.

Disability National Action Plan Timor-Leste 2021-30

7.25 Progress depends on when you start the clock. If this MTR focused on the last 12 months, under PROSIVU’s fourth Team Leader, gender equality progress would be reviewed favourably. (Disability inclusion efforts would not and is detailed below). The past 12 months have seen an intensification of effort, and several significant achievements for gender equality: support to Rede Feto, the hosting of the sixth National Women’s Congress and the publication of a key report on the status of Timorese women, inclusive of recommendations on women’s economic gender and economy; the commissioning of a women’s economic empowerment situation analysis to inform the national women’s economic empowerment strategy under MCAE; the trebling of contracted days for the International GEDSI Adviser, supporting a *first* in-country visit and hosting the *first* all-staff GEDSI sensitisation training; support to a GEDSI analysis for the CSC’s Human Resource diagnostic and introduction of a chat bot to counter sexual harassment in the civil service; and profiling the coordinated work with PARTISIPA on citizen consultations – including OPDs and WROs at municipality level – with MoF. When taking a longer view, back to 2022 (or to 2009 in the case of the impact of gender-based budgeting), progress is rated an unsatisfactory, with few tangible results to cite.

7.26 Disability inclusion has been negligible. With the exception of the above citizen budget consultations, and the recent production of an options brief on disability-based budgeting this year – both led by PARTISIPA – but with critical inputs, including securing MoF engagement in the former credited to PROSIVU’s ‘Maun Tony’ (Antonio Soares) the review found that disability attention has been negligible. PROSIVU has not accessed disability expertise through appointed roles or short-term advisers, reflected in the limited priority accorded to disability inclusion within PROSIVU. This is despite Timor-Leste’s national level policy commitment to disability under the inter-ministerial DNAP, as well as an Australia Awards alumnus being the President’s Disability Inclusion Adviser. Evidence is scant in terms of MEL efforts, and MEL data is not disaggregated to discern the impact for people with disabilities. GEDSI has been an unhelpful acronym, and synonymous with gender equality within PROSIVU.

- 7.27 **'GEDSI' was lost in translation from design to delivery.** The PROSIVU IDD was bold in its GEDSI emphasis, but also its architecture. The IDD states that 'Supporting GoTL to achieve progress on GEDSI through better governance is at the heart of PROSIVU.' More than an idle claim, the IDD included GEDSI-centred IOs (a number with explicit GEDSI language were later removed) and embedded GEDSI at senior leadership level through the Deputy Team Leader required to be a GEDSI specialist and lead a Pillar workstream. The PROSIVU design team included members who work/ed closely with MoF and so had a grasp of what was politically possible. GEDSI staffing did not proceed as per the IDD, and it was challenging for the GEDSI team to gain traction with Pillar teams. As one stakeholder noted, 'it felt like nobody had read the design'.
- 7.28 **Shifting targets.** A distinct challenge for PROSIVU in achieving and reporting against equality and inclusion results is the spread of actions that PROSIVU is supposed to be pursuing. The individual Pillar strategies propose relevant (some excellent) GEDSI activities, but they do not appear to have been implemented or indeed integrated with the MEL framework. The PROSIVU GEDSI Strategy was developed subsequently, which this MTR rates as having high grade analysis and recommendations for action. However, program staff found it too ambitious (it has 41 targeted activities, 52 mainstreamed), and challenging to implement – the latter being unsurprising in the absence of adviser visits to Timor-Leste until 2025. A streamlined version of the strategy was then produced, but it does not appear to have driven activity. The 2024 Annual Report devotes two paragraphs of a 90+ page report to GEDSI.
- 7.29 **GEDSI has not been understood as intrinsic to 'inclusive' economic growth.** Until recently, it is arguable that GEDSI has been regarded as a donor priority rather than being related to inclusive growth. Staff met with during the MTR demonstrated that they understand the concept, with statements such as, 'we are supporting GoTL to budget for improving Timorese people's lives' and 'making budgets work better for women, people with disabilities, rural people and youth'. It is positive that the Pillar 1 team produced a paper on the topic. The paper highlights key concepts: such as, 'income inequality undermines peace and stability and trust in public institutions', and '(inclusive growth relates to) the distribution of economic growth, and the economic opportunities in terms of employment creation'. Youth and women are not discussed in the paper, but it is a good foundational document for PROSIVU staff to become fluent in the rationale, relevance, and options for inclusive growth with MoF and other GoTL counterparts.
- Gender and disability efforts have been 'scattered' rather than strategic or selective.** PROSIVU's approach seems to have been less guided by strategy, and more a response to demand (GRB), opportunism (Rede Feto support), and 'pressing on a door that was ajar' (engagement on Maubisse Declaration III). Gender and disability mainstreaming is not feasible where you have 90 activities being implemented, and so identifying a select number of activities is needed. In the words of one stakeholder, 'PROSIVU cannot do everything on GEDSI. It needs to decide what it will pick up, follow through, and resource intentionally for equality and inclusion in economic governance.'
- 7.30 **GoTL praise for PROSIVU's support to Maubisse Declaration III.** There was only praise from GoTL and Civil Society Organisations stakeholders on PROSIVU's inputs to the working group on this inter-ministerial plan of action for rural women, including rural women with disabilities – aligned to GoTL's priorities on strengthening social capital, infrastructure, and the economy. PROSIVU facilitated the development of a set of indicators to increase the ministerial accountability for budget allocation and execution under this third phase of the Maubisse Declaration. PROSIVU led coordination of inputs

from DFAT implementing partners, a rare example of cross program collaboration, and PROSIVU reported that a number of ministries pledged budget in 2024.

- 7.31 **Gender-responsive budgeting – a critical form of TA or credibility risk? 15 years on since support to the development of the National Gender-Responsive Budget Note by DFAT’s predecessor program, GfD, in 2017 – discussion of PROSIVU’s GRB engagement elicited polarised views.** On the positive side, stakeholders noted that GRB is one area where the ‘door is open’ for PROSIVU to work with MoF on a gender priority. GRB is a stated priority of GoTL, recently reaffirmed at the 2025 Commission on the Status of Women, where the Secretary of State for Equality described that, ‘We are institutionalising gender mainstreaming and gender responsive budgeting as a synergistic strategy to invest in interconnected areas such as health, education, nutrition, employment, social protection and reduce institutional and societal barriers.’
- 7.32 **There is questioning of PROSIVU’s approach to the GRB work.** DFAT commissioned a review on GRB and related gender work in mid-2024. A key finding was that ‘while PROSIVU has seen some progress...there are significant weaknesses and missed opportunities for improving program delivery.’ The review also concluded that GRB was ‘equated solely’ with the marker, missing the importance of analysis and planning for policy and service improvement. The review generated 14 management-level recommendations. Of these, this MTR concludes that the majority are yet to be actioned by PROSIVU and needs to be a focus for the coming period and revisited at the design update stage.
- 7.33 PHD staff noted their analysis that gender budget allocations in health and education have declined in recent years as a percentage of sector allocations. PROSIVU will need to take care with its GRB aims and claims. The PROSIVU-funded work by AFI with MoF on sector budgets, including ‘baking in’ fiscal and non-fiscal measures of gender disparity in the staffing profile and wage gap is progressing as planned. Internal PROSIVU-hosted engagement between AFI and the PROSIVU GRB / GEDSI team appears timely.
- 7.34 **To what extent is PROSIVU engaging women, people with disabilities, youth and other marginalised groups in activity design, implementation, MEL, and decision-making?**
- 7.35 **Limited meaningful engagement on disability.** At this juncture, there is currently limited evidence of meaningful engagement with OPDs by PROSIVU. The disability movement has requested more direct coordination between OPDs and PROSIVU. Furthermore, that their engagement in consultations be approached in a rights-based manner that supports them to engage with the subject matter, and to choose to be represented by the person with a disability with the appropriate skill set. The PROSIVU team was candid with the MTR team that OPD engagement is not integrated into PROSIVU’s planning cycle. There is much scope for improved focus here.
- 7.36 **Unsuitable arrangements for GEDSI staffing and budgeting.** The GEDSI team does not manage a stand-alone activity budget. GEDSI staff within the Pillars do not report to the GEDSI team but to Pillar Leads. Budgets are managed by Pillar Leads, and so the GEDSI team is in the position of mendicant, having to ingratiate GEDSI ideas and pitch for (or ‘grovel for’, as one stakeholder observed) support. Currently, there is also no budget for reasonable accommodation or adjustments to promote the engagement and benefits by people with disability. A stand-alone budget line, related to a GEDSI team workplan, needs to be identified so that the adviser team are accorded autonomy to plan for GEDSI results under PROSIVU.

Sustainability – How sustainable are the outcomes from each of the Pillars of PROSIVU as well as PROSIVU as a whole?

- 7.37 How can the structure, ways of working or activities of PROSIVU be optimised for the final four years of PROSIVU (2026–2030) to strengthen sustainability? Section 4 considered the strategic intent of PROSIVU and stressed the relevance and importance of working on both policies and institutions (the rules of the game, both formal and informal. Institutions are critical for sustainability.
- 7.38 See Annex 6 for a discussion of the lines of further enquiry.

Annex 1 Terms of Reference

Background

Australia is Timor-Leste's largest development partner, with \$123 million in ODA funding in 2024–25. We work with the Government of Timor-Leste (GoTL) to support economic and human development outcomes.

PROSIVU is a key Australian Government investment providing governance and economic development support to GoTL. It aims to support GoTL in achieving three broader goals: (1) stronger, more inclusive economic growth, (2) more sustainable public finances, and (3) better public administration. It builds on Australia's ongoing governance support to Timor-Leste since 1999, continuing the work undertaken by its predecessor program Governance for Development (GfD, \$80 million, 2013–2022).

PROSIVU seeks to align with **key GoTL strategic priorities**, including those set out in the GoTL's Sustainable Development Plan, Economic Recovery Plan, Public Financial Management (PFM) Strategy, Private Sector Development Strategy, Public Administration Reform Program, and National Civil Aviation policy, as well as the Joint Statement of GoTL and Development Partners, which includes gender inequality as an area for cooperation.

PROSIVU also works with other Australian government agencies, bilateral development programs, civil society, the private sector, and international organisations, on priority reforms aimed at growing and diversifying Timor-Leste's economy.

In line with the Investment Design Document (IDD) for PROSIVU (2022–2026), DFAT is **commissioning a Mid-Term Review (MTR)** after two years of implementation. The review will consider existing monitoring data and information from community surveys and case studies, supplemented with additional primary data collection activities. The findings of the 2024 MTR will inform the future direction of PROSIVU, including the option for a four-year extension.

PROSIVU Program Overview

A Partnership for Inclusive Prosperity / Paseria Ba Prosperidade Inkluzivu (**PROSIVU**) is an eight-year, \$83 million investment (four-year contract with a possible four-year extension) (July 2022 to June 2030). It is funded by the Department of Foreign Affairs and Trade (DFAT), developed and delivered in Timor-Leste in partnership with GoTL and managed by DT Global.

PROSIVU's objective is to provide support to the Government of Timor Leste (GoTL) to achieve the outcomes of its Strategic Development Plan, particularly in economic and social development. The EOPOs were refined during the Inception Phase. PROSIVU's Theory of Change (ToC) structure has an extra level of analysis: EOPO, Outcome Areas, Intermediate Outcomes, Outputs, and Activities (outlined in annual Work Plans), to better articulate how activities contribute to EOPOs. Gender, disability and social inclusion (GEDSI) are mainstreamed across all of PROSIVU's activities. To contribute to this objective and overall goal, PROSIVU has three **End of Program Outcomes (EOPOs)** with eleven intermediate outcomes (IOs) as stated below:

EOPO 1: Stronger, more inclusive Economic Growth through policy support for a more diversified economy and increased job opportunities, with better and more targeted use of public infrastructure investment. (IO1, and IO3a-3b, IO 4a-4b contribute to this)

EOPO 2: More Sustainable Public Finances through diversification of Timor-Leste's revenue base, as well as better and more inclusive budget allocation, execution and monitoring. (IO2- IO7 contribute to this)

EOPO 3: Better Public Administration: a stronger, better coordinated and more responsive public administration, through improved coordination, responsiveness and accountability of government, and improved human resource capacity. (IO9-IO11 contribute to this) (Attachment A – PROSIVU Design)

Purpose of MTR

The Australian Embassy and Timor-Leste counterparts will be the primary audience for the Review Report. Secondary audiences include DT Global, PROSIVU, and DFAT Canberra. The final version of the MTR will become a public document.

The purpose of the MTR is to assess the performance of the program and provide strategic and operational recommendations to DFAT to help shape the future direction, both in the final 12 months of Phase 1, and for any extension if approved. Specifically, the MTR should consider how effectively and efficiently the program is delivering its EOPOs, its broad outcomes areas, and if EOPOs are still appropriate given Timor's changing context and priorities.

The MTR will be a critical tool in helping DFAT shape its future programming under its new Development Partnerships Plan, which was released in 2024.

If required, the MTR will need to include clear guidance to inform the Program Logic, its Theory of Change, and the Monitoring, Review and Learning (MEL) Framework (for the PROSIVU Contractor and Team to operationalise).

The MTR has **four objectives**:

- 1) **Effectiveness:** To assess, verify and quality assure the performance, claims of success and adequate progress towards end-of-program outcomes (EOPOs) during the initial Phase (2022–2026) of PROSIVU.
 - The MTR should consider the effectiveness of the program's activities and coherence as well as its choice of modalities in reaching the EOPOs
 - The MTR should assess whether the program's M&E system is adequate to assess performance and impact program decision-making
 - The MTR should consider how effective and influential the program's policy dialogue and engagement strategies are with the new Government and other stakeholders.
- 2) **Relevance and Coherence:** To consider the ongoing relevance and appropriateness of *each of the pillars* of PROSIVU to inform what areas the program should support. This should be with consideration to priorities of Timor-Leste's IX Government; Australia's new International Development Policy; The Australia-Timor-Leste Development Partnership Plan (DPP); Australia's comparative strengths and other donors' activities; and length of investment to date, budget and objectives of each component.
- 3) **Efficiency:** To review PROSIVU's structure, looking at the allocation of resources between management, office operations, and activities and ways of working, to optimise the final year of PROSIVU and any potential future Phase.
 - The MTR should assess whether the combined PROSIVU team has the skills, expertise, and experience to deliver against the PROSIVU EOPOs
 - The MTR should assess how well the program works across and collaborates with relevant Australian Government programs, such as PROSIVU and PHD.
- 4) **Sustainability:** To review the extent PROSIVU outcomes (intermediate and EOPO) are sustainable and what changes could be made to improve sustainability?

Key Review Questions and Scope³

DFAT is seeking a Review Team to answer **key review questions** (KRQs) and sub-questions about PROSIVU as outlined below. Note: These are indicative questions and DFAT is seeking to refine and ideally reduce these, in consultation with the selected Team. The Review Report should also incorporate any unanticipated but important findings that emerge during the review process.

The **indicative KRQs and sub-questions**:

1. **Relevance** [MTR Objective 2]: How has the context changed between its inception and the current time, and are PROSIVU's reform areas still relevant? How relevant and appropriate are: each of the pillars of PROSIVU; to what extent is the overall program model relevant and efficient; and PROSIVU's learning and adaptive management approaches, in informing what areas the program should support?
 - a) How relevant are PROSIVU's pillars, and their key areas of work, with respect to: the priorities of Timor-Leste's IX Government; Australia's new International Development Policy; The Australia-Timor-Leste Development Partnership Plan (DPP); and length of investment to date and objectives of each pillar? Consider how the governance arrangements and program contribute to a stronger Australia – Timor-Leste bilateral relationship.
 - b) Are the current program Theory of Change and EOPOs relevant, and is the work program suitable given the current capacity of central and line ministries and agencies, the work of development partners and other Australian investments?
 - c) To what extent has PROSIVU adapted to the evolving context (political changes) and emerging opportunities?
2. **Impact and Effectiveness** [MTR Objective 1]: To what extent has PROSIVU delivered against its annual workplans and EOPOs
 - a) To what extent are central and economic agencies investing in evidence-based, inclusive economic policies and investments that contribute towards an internationally engaged economy? (EOPO1 with progress towards OA 1-5)?
 - b) To what extent is evidence available, accessed and used by central agencies for planning and budgeting? (EOPO 2 with progress towards OAs)
 - c) To what extent are central agencies delivering a more inclusive, merit-based, accountable, and responsive public administration? (EOPO 3 with progress towards OAs)?
 - d) To what extent is PROSIVU's M&E system collecting timely performance data that is informing decision-making and future directions?
3. **Efficiency** [MTR Objective 1, 3]: How well is PROSIVU working?
 - a) To what extent is PROSIVU demonstrating appropriate use of resources, using appropriate management and implementation arrangements, and promoting adaptive management?
 - b) To what extent is PROSIVU monitoring and managing risks, working collaboratively internally (e.g. with other DFAT programs e.g. PROSIVU) and with GoTL and other governance actors, and implementing/contributing to localization?
 - c) How effectively is PROSIVU engaging with key partners and working with other programs to achieve outcomes?
 - d) Are PROSIVU's choice of modalities the most appropriate and effective for delivering against its outcomes?

³ These include reference to KEQs developed for the PROSIVU MEL Plan (2023), as well as current review questions of interest to DFAT.

4. Are PROSIVU's governance structures fit-for-purpose and supporting effective implementation and decision-making?

Cross-cutting [MTR Objective 1]: To what extent does PROSIVU's activities work towards/support inclusion of and/or reduce inequality for women, people with disabilities, youth and other marginalised groups, and integrating considerations of climate change and disaster risk resilience into its work?

- a) To what extent is PROSIVU making progress towards expected GEDSI results for PROSIVU pillars?
 - b) To what extent is PROSIVU engaging women, people with disabilities, youth and other marginalised groups in activity design, implementation, MEL and decision-making?
5. To what extent is PROSIVU identifying and addressing barriers to inclusion, and promoting inclusion in internal policies and practices?

Sustainability [MTR Objective 4]: How sustainable are the outcomes from each of the pillars of PROSIVU as well as PROSIVU as a whole?

- a) How can the structure, ways of working or activities of PROSIVU be optimised for the final four years of PROSIVU (2026–2030) to strengthen sustainability?

The Review Team

DFAT is **seeking** a Review Team to deliver on this Terms of Reference. Responsibilities include recruiting a team, logistics support, including team travel to Canberra for briefing as well as to Dili for consultations, and quality assurance. Outputs (see below) will include a Review Plan, Aide Memoire, draft then final Mid-Term Review (MTR) Report, post review briefing session with DFAT and PROSIVU.

The RFQ is for a **Review Team of up to three consultants (including a Timorese national or someone with substantial Timor-Leste experience and Tetum language skills)**. One member of the team must be the Team Leader who will be the principal point of contact and be responsible for overseeing and delivering on the Review Team's work. They will have:

- 10+ years of experience in governance and development
- Significant demonstrated experience in leading reviews
- Extensive experience applying a broad range of mixed methods review approaches.

The **Review Team** should include combined expertise in

- knowledge of Australian Aid Program policies on M&E and reporting processes
- excellent communication skills, particularly in a cross-cultural setting, and the ability to clearly explain review, monitoring, and evaluation principles
- demonstrated ability to draw on international best practice in governance, preferably from Southeast Asia or the Pacific.
- technical expertise on economic governance and public investment;
- Public Financial Management and revenue, budget planning/ budgeting;
- public administration and public sector human resources management;
- locally led development;
- cross cutting issues including climate change; and
- experience working in Timor-Leste is desirable particularly in governance.

One of the consultants should be a **Timorese national or person with substantial Timor-Leste experience and Tetum language skills**. The organization may choose to nominate an individual for this role or, alternatively, DFAT will work with the successful organization to identify suitable candidates.

The quote should not include a GEDSI advisor. DFAT will provide a GEDSI advisor to be included as part of the MTR team.

Applications must be no longer than six pages and include:

- A demonstrated understanding of Timor-Leste's context;
- Reference at least two examples of previous reviews of a similar nature (publicly available);
- Articulation of organisation's internal ability to quality assure the review
- A timeline /work plan for deliverables; and
- Detailed budget breakdown.

Review Governance

Management: Dili Post will manage the review. The First Secretary for Governance will have primary oversight of the process, supported by both the Third Secretary for Economics and Trade, as well as the Senior Program Manager. The Counsellor will provide strategic guidance. The Timor-Leste Political and Development Section Policy Officer will be the primary Desk contact point and will assist in coordinating review input and feedback from Canberra-based DFAT areas.

The Dili Post team will:

- Be the primary point(s) of contact in DFAT for the Review Team;
- Work with PROSIVU to ensure that key documents are provided to the consultant/s in a timely manner from DFAT and in liaison with the PROSIVU contractor;
- Facilitate, provide referrals to and in some cases, participate in the consultant/s consultation with PROSIVU partners including GoTL ministries;
- Liaise with the organisation's Project Manager on key project decisions, deliverables and contracting, scheduling;
- Provide advice to the Team/Team Leader and review/approve key documentation including review plan, PEA, aide memoire, draft report; and
- Coordinate necessary communication/meetings at SES-level.

A **Steering Committee** of up to three DFAT-nominated individuals will provide a practical useful reference point for the Review Team. This will be through their review and comment on early and final Review team outputs, as well as insights from their experience in Timor Leste.

Review logistics

The review team will be responsible for organising their own flights, visas, and accommodation for the in-country mission. PROSIVU will assist with arranging the in-country review schedule and transport, subject to discussion with the review team. Roles and responsibilities will be clearly defined in the inception Phase.

Review Timeframes

We anticipate the review team will be contracted for a maximum of 100 days. The quote should propose an indicative split of days between different roles.

The review team will conduct a Document Review (desk study) of existing material from the PROSIVU program and include a Political Economy Analysis (PEA). The PEA will help identify key changes, contextual and Geopolitical, that may impact the program going forward. Final language will be agreed with DFAT to ensure any sensitivities are addressed. The review team will also prepare a Review Plan, which will detail the review methodology, sampling frame, indicative schedule, and details of how the review team intends to analyse the information collected. This review plan will be approved by DFAT and the Steering Committee.

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The review team will prepare a final review report of up to 20 pages (not including annexes) and a high-quality two-page executive summary, which will be reviewed by the steering committee. An Aide Memoir will also be prepared by the review team. A presentation after the in-country mission to DFAT will be provided as well as one on the final report. The review team will generate an ‘evidence matrix’ to indicate the data and data sources which support the narrative result for each key review question and sub-question.

Proposed timeline

No.	Deliverable	Indicative Start Date	Estimated input days	Guidance & Notes
Stage 1: Desk Review including Political Economy Analysis (PEA)	Review Plan	18 Feb 2025	Up to 5	To reflect initial verbal briefing from DFAT of key issues, priority information, and review of key documents. To include a brief political economy analysis, and draft plan for Stage 2 consultations (March).
Stage 2: Review Mission including preparation, in-country consultations (with Aide Memoire)	Stakeholder consultations and Aide Memoire	27 Feb 2025	Up to 60	<ul style="list-style-type: none"> • 5 pages max., consistent with the DFAT Aide Memoire Outline. • Update PEA • Canberra consultations (remote) • Review mission with in-country consultations in Dili with Timor-Leste stakeholders – preferred time in-country (5 March to 4 April)
Stage 3: Review Reporting including draft, then final	(a) Draft Mid-Term Review Report	9 April 2025	Up to 20	25 pages max, with executive summary and introduction; findings and analysis; and recommendations. Annexes not included in page count. Must meet DFAT’s M&E standards
	(b) Final Mid-Term Review Report	30 April	Up to 12	To incorporate Stage 3 (Reporting) feedback and comments from DFAT, to be provided to Review Team by 9 May. To include a presentation of findings. The report’s recommendations should inform PROSIVU extension Phase.
Stage 4: Dissemination / Knowledge Sharing	Dissemination / Knowledge Sharing	May/June 2025	Up to 3	Subject to further discussion with Post, it is expected that the Review Team (or team leader) will play an active role in disseminating review findings, including for example, through knowledge sharing sessions. The final review with a management response will be published online as per DFAT policy.
In sum	Deliverables	Feb–June 2025	Total (estimate): Up to 100 days	

Reporting and deliverables

The Review Team will be responsible for the quality delivery of these **deliverables**:

- **Stage 1:** A Review Plan; of no more than five pages and a Political Economy Analysis
- **Stage 2:** An Aide Memoire of no more than five pages due five working days after the completion of the in-country visit.
- **Stage 3:** A draft Mid Term Review Report; and a final Mid Term Review Report of not more than 25 pages plus annexes. The MTR team should also budget for presentation of findings at a briefing session with DFAT and PROSIVU as part of disseminating the review to key stakeholders once the evaluation is approved.
- **Stage 4:** the team leader to be involved where dissemination and sharing of the MTR is required with key stakeholders and partners.

DFAT and the PROSIVU contractor will **make available to the Review Team information**, documents and particulars relating to the PROSIVU program, to inform the review (including relevant reports, policies and the MEL framework, GEDSI Strategy and Review).

Deliverables should conform to the **DFAT Monitoring, Review and Learning Standards**. It should be drafted in language that is easily understood by a lay person, avoids technical jargon, and minimises the use of acronyms.

Annex 2 Review Team Roles and Responsibilities

Role	Responsibility
Graham Teskey Team Leader	<ul style="list-style-type: none"> • Ensure the MTR is implemented according to the ToR and the MTR Plan • Management of the MTR team and assignment of duties • Draft the MTR Plan • Lead the development of reports and key deliverables • Take responsibility for liaison with the Embassy • Lead / co-lead interviews, workshops, and other activities in line with the MTR Plan • Coordinate and lead author of the deliverables, and ensure submission of high-quality deliverables
Aashna Jamaal PFM specialist	<ul style="list-style-type: none"> • Lead the coordination of selected components of the MTR, particularly investigating Pillar 2 • Support/co-lead interviews and workshops and other activities in line with the MTR Plan • Conduct desk reviews and undertake data checking as required • Work with the Team Leader regularly to debrief and exchange information • Along with the Team Leader, generate findings, lessons learned and recommendations • Contribute to writing/reviewing sections of the MTR report, as requested by the Team Leader
Mia Urbano GEDSI specialist	<ul style="list-style-type: none"> • Be in-country for week one • Lead the coordination of GEDSI components of the MTR • Support / co-lead interviews and workshops and other activities in line with the MTR Plan • Conduct desk reviews and undertake data checking as required • Provide review and input, as requested by the Team Leader • Along with the Team Leader, generate findings, lessons learned and recommendations • Contribute to writing/reviewing sections of the MTR report, as requested by the Team Leader
Aderito Soares Local development specialist	<ul style="list-style-type: none"> • Lead the coordination of selected components of the MTR • Support / co-lead interviews and workshops and other activities in line with the MTR Plan • Conduct desk reviews and undertake data checking as required • Provide review and input, as required • Along with the Team Leader, generate findings, lessons learned and recommendations • Contribute to writing/reviewing sections of the MTR report, as requested by the Team Leader
Courtney Innes Disability specialist	<ul style="list-style-type: none"> • Available two days to support Mia on disability issues as requested by Mia and /or the Team Leader

Annex 3 Historical Context of PFM Reform (2007–2018)

Public Financial Management reform in Timor-Leste has evolved through distinct Phases since 2007, shaped by changing political dynamics and institutional priorities. The initial phase (2007–2014) focused on building fundamental systems and processes, including the development of a new PFM Law in 2009, integration of the Information and Financial Management System (IFMIS), establishment of special funds, and creation of the Transparency Portal.

Between 2014–2018, reforms shifted toward strengthening fiscal sustainability, introducing performance budgeting frameworks, and improving donor coordination. These efforts were guided by multiple assessments, including the 2018 Public Expenditure Financial Assessment, the 2020 Public Expenditure Review, the 2017 OECD Roadmap of Budgetary Governance, and the IMF's 2016 Public Investment Management Assessment.

Political Turbulence and Budget Challenges (2017–2021)

The reform trajectory was significantly disrupted by political instability beginning in 2017. The 2018 budget introduced by the VII Constitutional Government failed to gain approval, triggering fresh elections in May 2018. The VIII Constitutional Government formation was delayed until June 2018, with the budget only promulgated in September 2018.

Further complications arose with the 2019 budget when Parliament approved a controversial \$300 million amendment for purchasing Shell's participation in the Greater Sunrise Joint Venture. This was subsequently vetoed by President Francisco Guterres Lu Olo, requiring a revised budget. Political tensions intensified in early 2020 when CNRT, the largest party in the ruling coalition, abstained from voting on the 2020 budget, effectively blocking its passage. This forced the country into a duo-decimal budget system and necessitated extraordinary withdrawals from the Petroleum Fund to address the emerging COVID-19 pandemic. A government restructuring in June 2020 finally established a working majority through an alliance among FRETILIN, the People's Liberation Party, and KHUNTO, enabling passage of a revised 2020 budget in October and timely approval of the 2021 budget in December.

Evolution of DFAT Engagement

Throughout this period, development partner relationships with Timor-Leste's PFM institutions were significantly affected by both the political dynamics and institutional arrangements. DFAT's Governance for Development (G4D) program initially established its primary relationship with the Planning, Monitoring and Evaluation Unit (UPMA) under the Prime Minister's Office, where national planning functions were centralised.

This institutional arrangement created a parallel engagement track focused on planning rather than comprehensive financial management. When planning functions were transferred to the Ministry of Finance in 2021, a theoretical opportunity for deeper engagement with MoF emerged, but historical perceptions and institutional memories continued to present barriers to effective collaboration.

Current Reform Priorities Under the 9th Constitutional Government

The 2023 elections and formation of the 9th Constitutional Government presented a reset opportunity for both PFM reforms and development partner relationships. The latest Five-Year

Strategic Plan (2024–2028) of the Ministry of Finance maintains continuity with previous reform elements from earlier roadmaps while introducing new priorities:

1. **Revised Approach to Program Budgeting:** Eliminating cross-cutting programs across ministries in favour of ministry-specific program structures.
2. **Refocused M&E Framework:** Dividing responsibilities between UMAD for government-wide M&E and DGPO for financial performance metrics.
3. **Enhanced Technology Integration:** Emphasizing fiscal intelligence monitoring with Power BI for sophisticated financial data analysis.
4. **Urgent Core System Rehabilitation:** Prioritizing fixes to the IFMIS, Chart of Accounts, and ICT infrastructure.
5. **Revival of PFM Capacity Building.**

The Strategic Plan establishes six key performance indicators to measure PFM progress:

1. **Expenditure Efficiency:** Primary expenditure at least 95% of originally budgeted expenditure in aggregate.
2. **Economic Classification Alignment:** Primary expenditure at least 90% of originally budgeted expenditure by economic classification.
3. **Program/Sub-program Performance:** 90% of sub-programme and programme level targets met or on-target.
4. **Revenue Collection:** Actual revenue at least 95% of originally budgeted revenue in aggregate
5. **Revenue Classification:** Revenue at least 90% of originally budgeted revenue by economic classification.
6. **Public Financial Management Standards:** Improvements in specific Public Expenditure Financial Assessment indicators related to revenue administration, service delivery performance information, public asset management, public investment management, and public debt management.

Integration with Broader Government Systems

The new approach creates a more specialized division of M&E responsibilities:

1. **UMAD** will handle higher-level, government-wide monitoring and evaluation.
2. **DGPO** within Ministry of Finance will focus on financial performance metrics, cost efficiency, and budget execution monitoring.
3. The **Fiscal Intelligence Monitor** will integrate data from Line Ministry MIS systems with the central IFMIS to provide more powerful analytical capabilities.

Current State of DFAT Engagement

The transition to the 9th Constitutional Government coincided with DFAT's launch of the new PROSIVU program, which includes a PFM Pillar physically located within the Ministry of Finance. Despite this structural proximity, engagement challenges persist:

1. The Pillar has struggled to adapt to the priorities of the new government and MoF leadership.
2. Historical perceptions about DFAT's previous alignment with UPMA continue to influence receptiveness.
3. Engagement efforts have focused on certain Director Generals rather than the Executive Office, missing key power dynamics.
4. Technical credibility issues have undermined confidence in the program's contributions.

Meanwhile, the EU has established more effective engagement with Treasury operations. The fiscal intelligence monitoring work has also gained positive recognition for its practical utility.

Path Forward

The new Strategic Plan offers a clear roadmap for PFM reforms and an opportunity for development partners to realign their engagement approaches. Success will require:

- Prioritising relationship-building with the Executive Office of the Minister
- Demonstrating responsiveness to leadership priorities as articulated in the Strategic Plan
- Providing technical assistance that directly addresses the critical system issues identified
- Establishing measurable indicators of influence and impact
- Focusing resources on specific reform priorities rather than legacy agendas.

As Timor-Leste continues its PFM reform journey, effective development partner engagement will require understanding both the technical reform priorities and the political context in which they operate.

Annex 4 Requests for Advisers put to the MTR Team

MPIE Needs

Technical assistance for cost-benefit analysis, social sector expertise, and M&E support. Expertise for gender, inclusiveness, and climate integration in planning. Data collection and management specialists with faster procurement and knowledge transfer. Integrated database development with baseline data for MTP. Data validation assistance and system integration between planning and implementation. Capacity building for evidence-based decision making and economic analysis. Support for feasibility studies and staff technical training. Help developing national planning law and aligning various plans.

Customs Needs

In-house expertise for ASEAN integration, WTO post-accession, human resources, and infrastructure. Support for ASYCUDA system and Single Window platform previously funded by USAID. Investments in systems, regulations, and tax revenue audits.

Macrofiscal Needs

Assistance with fiscal rules development, planning to engage IMF, PROSIVU, and World Bank.

Treasury Needs

Support for reporting quality and accounting standards clarification. Assistance with government securities and treasury bills. Help monitoring municipal treasury functions and building local capacity. Support for Regional Treasury offices and new treasury manual development. Replacement for SIGAP company to resolve ghost beneficiary issues.

Public Financial Management Capacity Building Centre Needs

Technical assistance creating secondary procurement guidelines for the new decree law. Specialized training in procurement, internal audit certification, IT certification, trainer certifications, and accounting.

RHTO Requests

Direct work with people with disabilities following the 'nothing about us without us' principle. Coordination with disability organisations in planning. Help ensuring disability considerations in ministry Annual Action Plans. Support linking National Disability Action Plan to planning processes. Encouragement for Ministry of Finance participation in disability budgeting.

Tourism Needs

Legal expertise in tourism and commercial law for ASEAN standards. Capacity building through international exposure and training. Continuation of current technical support.

SEFOPE Requests

Certified capacity building rather than TA. DFAT/PROSIVU engagement with higher political levels to ensure timely publication and proper needs assessment dialogue.

Annex 5 Adaptive Management

Introduction

There are two aspects to this annex; how Adaptive Management (AM) has been conceptualised in the Adaptive Management Strategy, and how it has been implemented in the Facility.

AM at design (in the IDD)

The design is replete with commitments to putting in place a system of AM, but it fails adequately to explain what it means in everyday practice.

Annex 6 of the IDD says AM involves:

- Facility leadership that fosters a culture of learning, joint analysis, critical reflection, and problem solving
- Management and resource flexibility within a robust decision-making framework
- Commitment to working as a team (Embassy, PROSIVU core team and advisers) as opposed to a collection of individuals
- Continuous engagement with GoTL and other key stakeholders for government-led, locally driven reform
- Interrogating data and evidence and learning from mistakes
- Scheduling and protecting time for reflection and learning
- Documenting progress, as well as context and strategy changes.

All these are good things in and of themselves, but only the second and fifth bullets have anything to do with AM.

AM in theory in the program

DT Global are to be congratulated for trying to give further meaning and substance to the commitment to AM in the IDD through the drafting of its April 2023 AM Strategy. It grapples with some key challenges, such as how to operationalise ‘Problem Drive Iterative Adaptation’ (PDIA).

The program’s ‘Adaptive Management Strategy’ is based on DT Global’s ‘Guidance Note: Practical Introduction to Adaptive Management’ (undated). This document identifies four elements of AM: flexibility, responsiveness, purposive learning, and culture. The note seeks to explain ‘what is different’ when managing adaptively. There is much to like about the global strategy, but it does contain a number of weaknesses.

Issues

The framework itself is insufficiently clear. The first two elements of DT Global’s approach – flexibility and responsiveness – need further clarification. Table 1 of April 2023 PROSIVU AM Strategy provides the following definitions:

- **Flexibility** is the ability to adjust (for example strategies, plans and resources) in response to contextual change and learning. *This generally requires support for the approach from the client and delegated authority to manage adaptively.* (Emphasis added).
- **Responsiveness** is about engaging deeply with context consistently throughout the program, proposing and testing what we think could work and ensuring that our plans reflect and are shaped by our understanding of local politics and power.

- **Purposive learning** is about review and reflection, including testing and updating of the program rationale and assumptions, which leads to strategy and programming decisions and adjustments as our understanding and influencing position evolves.
- **Culture** is about having a team that feels confident and empowered to work with these approaches, which includes having supportive ways of working in place with the client and trust across key relationships – between client and contractor, across the contractor team and with downstream partners.

Regarding *flexibility*, the question is to adjust what? Budgets? Activities? Pace of implementation? Outcomes? EOPOs? Regarding *responsiveness*, surely ‘engaging deeply with context consistently throughout the program, proposing and testing what we think could work and ensuring that our plans reflect and are shaped by our understanding of local politics and power’ is required of all programs, not just ‘adaptive ones’. Flexibility is a *result* of responsiveness and does not explain what is being changed and why. It is possible to engage deeply with context at all levels of the program logic. There is nothing wrong with either of these two elements: they are necessary but insufficiently prescribed. This assessment leads directly to the second weakness.

There is no consideration in the Strategy of the level in the program logic at which ‘flexibility’ applies. Does the same flexibility approach apply at all levels of the program logic? Are inputs equally as flexible as EOPOs? Of course they are not. This is the major weakness of the AM strategy in PROSIVU: how will ‘flexibility’ be operationalised across the program logic? Different considerations and decision-making procedures (some involving DFAT, and some possibly not) will apply at different levels of the program logic. The strategy is silent on this. These considerations and procedures are shown in Table 5 below. The table is indicative not exhaustive.

Table 5 Levels of ‘flexibility’

Level in program logic	What could be changed	When should this be done?	Who should take the decision?
EOPOs	EOPOs	<ul style="list-style-type: none"> • Following major policy change of either government • Following major crisis e.g., Covid 	DFAT and host government
Intermediate Outcome	IOs	At six monthly r and r exercises	DFAT (and ideally) host government
Outputs	Changes to reflect changes made in Activities	Outputs should be constantly held under review and revised six monthly, but as far as possible within the current financial and planning year	Implementing partner under delegated authority from DFAT
New Activities	Add new activity (and/or drop non-performing ones)	<ul style="list-style-type: none"> • Within the current financial and planning year • As MEL data is collected and assessed <i>in real time</i> 	Implementing partner under delegated authority from DFAT
Existing Activities	<ul style="list-style-type: none"> • Speed up or slow down implementation (this has a budget implication) • Budget changes due to cost changes or a different mix of inputs 	<ul style="list-style-type: none"> • Within the current financial and planning year • As MEL data is collected and assessed <i>in real time</i> 	Implementing partner under delegated authority from DFAT
Inputs	Mix of inputs: more/less TA, increased/reduced recurrent support/grants	Within the current financial and planning year	Implementing partner under delegated authority from DFAT

There will be a major difference between the implications of flexibility above and below the IO level. At the IO level or above changes signify changes in the overall goal/objective of the project. Sometimes it is necessary to change the IOs in order to achieve the EOPOs because we have learned more about pathways of change, or we have a more informed idea of the Theory of Change. This is adaptive management ‘from the bottom up’ as it were: our learning from implementation drives changes in the upper part of the program logic. Sometimes the IOs will need to change ‘from the top down’ as policy priorities for the donor and host government change, for example after elections or in a major crisis. In such circumstances the goal/objectives may have changed, requiring a reset of the whole program logic.

This is why – in DT Global terms – we need responsiveness. Changes at the EOPO level or above can be authorised only by the donor and – ideally – the host government. They are undertaken usually following mid-term reviews or in response to major policy changes.

The situation is different at the lower level of the program logic (inputs, activities, outputs). Here being flexible means moving faster (or slower) with implementation as we gather evidence from the MEL. It may also mean dropping or adding new activities – in order to achieve the prescribed and approved IOs and EOPOs. Ideally these changes should be undertaken in real time by the implementing partner – but *this depends on the level of authority delegated by the donor to the partner*. The AM strategy of April 2023 notes this in its definitions (as quoted above). This is absolutely the most critical element in any adaptive management strategy, and DT Global are to be congratulated for noting it – it is all too rare. However, this has not been enacted. Further, nowhere in the documentation has a desired level of delegated authority been articulated. Indeed, MTR discussions showed that no such authority has been delegated. This means that for even the smallest variations to budgets or speed of implementation, discussions with DFAT will be required. This slows the program down and frustrates the very purpose of AM.

The point here is that the nature of the flexibility required will vary across the program logic and will require different processes and different decision-making procedures. This variety is not captured by referring to all such changes as ‘flexibility.’ What is driving the need for change at the upper level of the logic is different to what is driving the need for change at lower levels. Thus, the information required to change IOs and EOPOs is different to that required to change Inputs, Activities, and Outputs. It does not matter what these are called, but Figure 4 offers one way of articulating the difference across levels of the program logic. Any system of AM has to engage with this. The PROSIVU AM strategy does not.

Figure 4 Flexibility, adaptation, and responsiveness

Flexibility	Adaptation	Responsiveness
Activity level	Activity and Output levels	Outcome and Goal / Impact
To what extent does the ability and authority exist (for donor and managing contractor / Implementor alike), within the financial year, to:	To what extent does the ability and authority exist (for donor and managing contractor / Implementor alike), within the financial year to:	To what extent does the ability and authority exist (for donor and managing contractor / Implementor alike), within the program period, to:
<ul style="list-style-type: none"> • Increase or decrease spending and/or the budget on planned activities? • Increase or decrease the pace of implementation on planned activities? 	<ul style="list-style-type: none"> • Amend planned Activities in any way? • Add new Activities? • Drop existing Activities? • Amend agreed Outputs? • Add new Outputs? • Drop existing Outputs? • Amend milestones? • Add new milestones? • Amend the Theory of Action and the Theory of Change? 	<ul style="list-style-type: none"> • Amend Outcome and Goal statements in response to policy changes of the donor? • Amend Outcome and Goal statements in response to policy changes of the host government? • Amend Outcome and Goal statements in response to sudden and major national or international political, economic, or social events?

Delegation of authority. A major purpose of AM is to enable projects to reflect the changes in the context in which they are working in real time – not weeks or months later. As noted above, this can happen at the lower or upper levels of the program logic and will therefore need different management arrangements. If an activity is going well and could be speeded, or an opportunity has arisen for a new activity, then this should happen in real time, and not await the outcome of a time-consuming process. It certainly should happen *within* the current financial year – and not wait for the next Annual Work Plan. The critical factor here is the extent of delegated authority to the implementing partner from the donor.

In fully functioning AM systems, the implementing partner would have delegated authority to raise or lower budgets (within agreed limits) and add or drop new activities – in order to achieve the agreed Outputs and IOs. Every six months they would then be held accountable by the donor. If such arrangements are not in place (and they usually are not) then there must be an agreed mechanism to take decisions quickly. Again, all this nitty-gritty detail, essential for any system of AM to work, is missing. (Such a system has implications for the implementing partner too – see the next comment).

Culture – or is it organisational structure? PROSIVU's AM strategy identifies culture as one of the four elements of AM. This may be true but organisational structure in the implementing partner is more important. AM is based on accurate and up to date MEL data – what the Strategy and DT Global call 'responsiveness.' But flexibility at the lower levels of the program logic can only be enabled if data is gathered, collated, and assessed in real time. For this implementing partner delivery teams and MEL teams need to work together and ideally do so in the same team. Rarely does this happen. The MEL team usually sits apart from delivery teams. Delivery teams say collecting data is not our job, while MEL teams usually collect data months after the event. Thus, making AM in real time impossible.

AM in practice

In order to assess the implementation of AM, it is necessary to look at successive annual work plans and budgets and see how they have changed, and to look at the minutes of the 6-monthly review and reflection exercises to see the nature of the discussion regarding ‘flexibility’ and ‘change.’ The *raison d'être* of AM is to make changes to the program logic (as outlined above) and – most importantly – to the Annual Work Plans and Budgets. Were budgets altered? Were new activities introduced, or existing ones dropped? Were any of the 5 ToCs revised, and if so, on what basis? Were changes requested at IO level?

Annual Plans 2023 and 2024

The Annual Plans are presented by spreadsheet and detailed by activity. It is not possible to determine changes in any in-year allocations from the documentation.

PROSIVU Progress Report 2023

The report has one page on AM. It says (page 59) that efforts were made ‘weave adaptive management into strategic planning and implementation’. The section goes on to say that there ‘were notable improvements in the staff’s adaptive management abilities’ (although no evidence is given for this). The DAWKI framework is referenced but no examples were given of activities being added or dropped.

The January 2023 Inception Report referenced the results of three PDIA pilots being submitted to DFAT in January 2023. There is no reference to these in the 2023 Progress Report.

PROSIVU Annual Report 2024

The 2024 annual progress report is good, but it has a few lines only (page 40) claiming AM has been strengthened through the six-monthly review and reflection exercises.

Conclusion

The documents reviewed (the IDD, Annual Work Plans and Budgets and progress reports) all make consistent reference to the importance of AM. Indeed, AM was a cornerstone of the IDD. PROSIVU has made a real effort to operationalise this and should be commended for so doing. But reality has not lived up to the rhetoric. The conceptual framing is flawed, and nowhere in all the documents reviewed has the decision-making processes for AM been laid out. Further, PROSIVU has no overarching ToC. This is referenced as Annex 10 in the IDD, but no one was able to furnish the MTR team with a copy. Thus, there is no evidence whether or not the ToC has been revisited. Without a ToC the Facility is ‘flying blind’.

It is not possible to know if budgets were increased or reduced in year as a response to well and poor performing projects. Annual reports record forecast budget as against actual spending, but there is no discussion of whether these variances were as a result of flexibility or adaptation.

In conclusion therefore:

- There is good understanding of the context and the need for AM, but this largely remains at a conceptual level; and
- The MTR found it difficult to access detailed analysis required for AM. What was discussed at the reflection and review exercises? The documents refer to three PDIA pilots and some few ‘changes’ to projects as a result of AM. It is not possible to see how the decisions were made or who made them.

AM in PROSIVU is rather like a ring donut: there is a hole in the middle where the substance should be. The ring itself is full of good AM commitments but missing are the precise mechanics of how AM will be operationalised, who will take decisions, the level of delegation, and how AM applies at different levels of the program logic: the nitty-gritty. This is absent.

What does the nitty-gritty look like? This is the core of AM: what is being adapted? On what basis is the decision to adapt made? Who takes decision? When is the decision taken? The answers to these questions depend on whether we are talking about what this annex calls flexibility, adaptation, or responsiveness. These three things refer to different categories of ‘adaptive management’.

- **For flexibility:** the need to increase/decrease the speed of implementation or increase/decrease the agreed annual budget (these two things may not be related – costs of inputs could rise) at the activity level.
 - What is being adapted? The speed and cost of implementation of agreed inputs and activities
 - On what basis is the decision to adapt made? On the basis of real time information collected by (what should be) the integrated delivery and MEL team – that the activity is proceeding well (badly)
 - Who takes decision? This should be the implementing partner on the basis of an agreed level of delegated authority. Budget increases could be set as a percentage of the total cost of the activity or a set amount
 - When is the decision taken? As soon as the implementing partner realises that an activity is proceeding well (or badly) and could be speeded up (or slowed down). If any decision like this has to go to the donor, then it will likely take weeks, and the opportunity may have come and gone
- **For adaptation:** the possibility of adding new activity and adding revised outputs, and revising the ToC:
 - What is being adapted? Activities and their associated outputs. Add new activities because it is judged that the IO (and possibly the EOPO) will not be achieved with the current activity portfolio. Similarly, it may be that some activities need to be dropped as it has become clear they will not deliver what was envisaged. This may be because the ToC was mistaken, or the initial design was flawed
 - On what basis is the decision to adapt made? On the basis of real time information collected by (what should be) the integrated delivery and MEL team, and they reviewed and assessed by the senior team of the implementing partner. The decision has to be made on the basis of a cool and calm assessment of the progress being made by the activity. This is what the review and reflection exercise is for
 - Who takes decision? The donor and the partner government
 - When is the decision taken? At the 6-monthly review and reflection session when the full context of the project and the reasoning for the add/drop recommendation can be fully discussed in the light of a revisited ToC
- **For responsiveness:** the need to respond to major events, such as a change of government (and thus policy priorities) of either the donor or the partner government, or some major national or natural disaster – such as Covid. (It was claimed over and over again by DFAT that their projects adapted to Covid. They did not. They responded. Decisions were taken to change projects not

because activities were unlikely to deliver agreed the outputs and IOs, but because the who purpose – the Goal/Objective – of most projects changed). Such 'Responsiveness' is thus rare:

- what is being adapted? Potentially everything. If the Goal/Objective is changed, then it may be necessary to change the whole program logic. Every project will need assessing on its own merits.
 - On what basis is the decision to adapt made? On the basis of major policy change, national or natural disaster
 - Who takes decision? The donor and the partner government
 - When is the decision taken? Potentially at any time

Thus, AM requires a system to be in place, primarily to enable flexibility and adaption. These are the two that really matter. The system will need to be formally recorded and agreed. There is no such agreement in PROSIVU.

Annex 6 Lines of Further Enquiry

Indicative lines of further enquiry	Team comments
Relevance	
Is the program using a relevant set of modalities?	The default modality is the provision of technical advisers or advice through twinning This has been the default mechanism of support since UNTAET immediately after Independence. ‘...the emphasis on technical assistance as a solution to institutional, governance, and administrative constraints was striking, with capacity gaps receiving much more attention than remaining political divisions, contestation, history of geography’ (Tobias Haque. PhD Thesis ‘The Price of Peace: Public Financial Institutions and Social Order in Post-Conflict Countries’, ANU 2023). It seems unarguable that the provision of advice from outside the formal civil services is now the expected and accepted ‘solution’ to all issues of weak organisational capacity – accepted by the GoTL and donors. The question is whether this Path Dependence can ever be broken, and is there a role for PROSIVU here?
Is there a consensus regarding economic priorities in the country?	This is debatable. The IXth Government is absolutely committed to Greater Sunrise and does not countenance any discussion of the so-called fiscal cliff. Priorities of the current government have shifted from those of the previous administration, but largely around ‘the margins’. The commitment to economic diversification, integration into the regional and global economy, and infrastructure development remain. A case can be made that the commitment to primary health and education have declined.
How and to what extent has PROSIVU responded to the changing context and priorities of the Timor-Leste and Australia governments?	PROSIVU managed this well – mainly by ‘pausing’ activity for 12 months. It is difficult to overstate the hiatus in decisions, filling GoTL positions, and policy direction that followed the June 2023 election. PROSIVU just had to wait it out
How has PROSIVU navigated GoTL political changes and what risks and opportunities have these changes presented?	PROSIVU did this well. As noted above the main response was to wait rather than plough on regardless and seek to implement the IDD. The risk of course was an increase in the possibility (likelihood?) of missing the IOs and EOPOs through delay. However, the alternative was an even higher risk – continuing with investments that no longer had GoTL support.
Impact and Effectiveness	
How effectively has PROSIVU built on previous Australian support for economic governance in Timor-Leste (GfD)?	Some changes were made following GfD although these were minimal. The Inception Report notes that changes were ‘minimal’ (page 8). Changes became more prominent as the new government settled in particularly a greater emphasis on building close relationships. In terms of substance there was less of a shift.
What are the main lessons in terms of achieving progress towards its IOs and EOPOs?	Two lessons. First, that the IDD was too ambitious. It is unlikely that many IOs will be met in full. Second, that progress depends absolutely on the political commitment to, and political interest in, the specific activities of the program. This raises one failure of PROSIVU: the absence of a coherent theory of change where political ‘likelihood’ and ‘feasibility’ has not been considered.

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Indicative lines of further enquiry	Team comments
What theories of change have been used, and how have they been evaluated and revised over the life of the program?	None. Annex 10 of the IDD refers to a separate document which does not seem to exist. The IDD and subsequent documents assume that a program logic and a theory of change are synonymous
What has been the pattern of expenditure?	Slow in 2023 and the first six months of 2024. Now as broadly budgeted.
What evidence is there of gender responsive budgeting / disability inclusion in determining expenditure	There is evidence that PROSIVU has supported GRB inputs, in particular 'tagging' through the Pillar 2 TA support to SEI. SEI commented that the percentage of the budget tagged has increased over time. However, the analysis underpinning the tagging, the accuracy of the tagging, and its influence on allocations is not known. PROSIVU's discrete, arms-length funding of AFI's work with MoF – and its access to fiscal and non-fiscal data – may be a more influential channel for GRB. PROSIVU could and should draw more on the Australian GRB expertise and current domestic approaches. Disability based budgeting was at the options paper stage at the time of MTR. Lessons from the GRB experience need to be fully reckoned with, as does understanding of the appropriate parts of government to engage with on this agenda.
How has PROSIVU measured the performance of its advisors?	Limited as far as the MTR team could tell. Monthly reports on Adviser activities were submitted, but not to the GoTL. This should be rectified as soon as possible with the PROSIVU team preparing a simple one-page template, to be completed in the first instance by the GoTL manager of the adviser, then signed off by PROSIVU. The results should be shared with the Embassy. Every three months is recommended for long term advisers (one month is too short and will encourage reporting on activities only. The reports should focus on assessing progress to IOs.
Has the MEL delivered convincing and timely data regarding IOs and EOIOs? If not, why not, and how could this be addressed?	The MEL system being put in place is complicated yet valid. It uses a mix of qualitative and quantitative data at the IO level. This is still work in progress. The MEL team should be encouraged to find ways to compress the reports as at the moment they are lengthy. The system should be reviewed at end of Phase 1
What are the main lessons that have been learned, particularly regarding the change of government in Timor during Phase 1?	That each successive change of government is likely to involve significant upheaval and delay. This caused many (all?) DFAT programs to stall. What can be done about this? Probably very little. Can DFAT facilitate senior Australian politicians to meet with GoTL counterparts and argue that not everything that the previous government did will always and everywhere be bad?
What are the strengths and weaknesses of PROSIVU's annual planning and budgeting process? Is it integrated with the MEL?	<p>The political turbulence in Timor-Leste during 2017–2021 significantly disrupted PFM reform efforts, with multiple budget crises stemming from failed approvals, controversial amendments, and coalition breakdowns. These disruptions forced the country into duo-decimal budgeting and required extraordinary Petroleum Fund withdrawals. This period demonstrated that development programs must build resilience against political transitions through sufficient continuity planning and deeper engagement with permanent institutional structures rather than solely focusing on specific individuals or units.</p> <p>The formation of the 9th Constitutional Government in 2023 revealed additional lessons about effective engagement. Despite PROSIVU establishing physical presence within the Ministry of Finance, historical perceptions about DFAT's previous alignment with UPMA continued to hinder receptiveness. Engagement focused on specific Director Generals rather than the Executive Office missed key power dynamics, while technical credibility issues undermined program contributions. Success requires prioritizing relationship-building with executive leadership, demonstrating responsiveness</p>

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Indicative lines of further enquiry	Team comments
	to government priorities as articulated in strategic plans, and focusing resources on specific reform priorities rather than legacy agendas
What have the progress reports reported since the program began, particularly as regards legislative changes and contribution to GoTL capacity?	There are multiple examples of legislative changes, variations in rules and regulations and operating procedures. This is a strength of PROSIVU. The question is what difference will all these changes make to delivery and GoTL performance? It is too early yet to answer this question
Have there been any issues with regard to establishing credible, baseline data?	The issues are why was the baseline report produced late – in December 2023 rather than as an immediate priority, and why have the 22 KPI's articulated therein not been incorporated into the MELP and updated?
Efficiency	
How appropriate and efficient are the different PROSIVU delivery modalities in terms of value for money and time and resources used to achieve program outcomes?	This is hard to answer unequivocally. Advisers are sought by GoTL and appreciated. Local TA is cheaper and faster to recruit than international TA. At the moment (April 2025) there are 30 TA in post (13 international and 17 local), with five more under recruitment (three international and two local). Do these all represent good VfM? Without a formal assessment of performance and outcomes it is impossible to judge. Certainly.
Is the program resourced adequately to deliver its remit over the program?	The management of advisers is a source of great pressure on the PROSIVU team. It is possible that more resources are required
What is the health of PROSIVUs partnerships with (a) GoTL counterparts at the national level, and how could these partnerships be improved?	Mostly good. The main issue is with the Executive Office in the Ministry of Finance as described in the report. The principal way to improve the relationship is at senior level in the Embassy
To what extent is the program coherent with other DFAT programs?	–
How does the program work with other DFAT-funded programs?	Limited. Even the Market Development Facility has weak links with PROSIVU. The PFM work is another example where coordination, a common understand and a unified approach is lacking.
Cross-cutting	
To what extent does PROSIVU support GoTL and GoA development priorities in advancing GEDSI? Are there gaps?	Progress has been most evident in the last 12 months but scattered rather than strategic prior to this time. The pillar structure and siloed budgets have not been conducive for the collaboration needed for substantive mainstreaming or targeted activities. There is much internal staff sensitisation to be done, including building a shared understanding of inclusive growth.
To what extent has PROSIVU applied an intersectionality lens in its program planning and implementation?	An intersectional lens has been incidental rather than intentional – primarily in the support to the Maubisse Declaration on rural women's lives – including reference to women with disabilities, and support to Rede Feto's women's congress and publication. The impetus for the former has been to support an area of demand from SEI, rather than specifically segmenting rural women as a focus. Disability equity and rights – one of DFAT and Post's social policy priorities – has been marginal as a focus.

Indicative lines of further enquiry	Team comments
To what extent is climate change resilience/adaptation considered in the design and implementation of PROSIVU?	Climate change and disaster resilience is not meaningfully, substantively integrated into the program. Little evidence of prioritisation to date by PROSIVU's array of GoTL partners.
Sustainability	
What does sustainability mean in the context of PROSIVU?	PROSIVU does not define sustainability clearly and unequivocally
What changes could be made to the design of the program to improve sustainability?	<p>The MTR team assume that in the context of PROSIVU sustainability refers to the continued commitment to, and implementation of, reforms proposed by advisers. The last two years has demonstrated that this is by no means assured. DFAT should expect some reforms to stick, while others may 'wither on the vine'. Most reforms will occur slowly; the digitisation of business licenses in SERVE is a case in point. There are 63,000 business registered in Timor-Leste, and to date only 17,000 have been scanned and put in file</p> <p>This is the 'holy grail' of development investments. The choice is between investing in what has the greatest likelihood of success – which means being sure of meaningful political commitment – or investing where the perceived need for reform is greatest – but where there may be limited political interest in change. The MTR team have concluded that Design update should be slimmed down. By all means keep the three Pillars, but within each focus on the outcome Areas and the Intermediate Outcomes where the theory of change suggests there may be political commitment. But to do this – the program needs a theory of change – in fact it needs three</p>
Is there a clear vision for sustainability in PROSIVU?	No – see section 5.

Annex 7 List of Documents Reviewed

DFAT

- Timor-Leste Development Partnership Plan
- Investment Design Document January 2022
- Annual Investment Monitoring Report July 2023 to June 2024
- Annual Investment Monitoring Report June 2022 to June 2023
- Schedule 1, Statement of Requirements, 2023
- Australia's Gender Equality, Disability and Social Inclusion (GEDSI) Flagship Program
- ANS, Timor-Leste, 2021

PROSIVU

- Inception Plan, August 2022
- Inception Report, January 2023
- Baseline Report December 2023
- Six monthly Report Jan – June 2024
- Six monthly Report Jan – June 2023
- Annual Progress Report 2023
- Annual Progress Report 2024 (Draft)
- Annual Work Plan 2024
- Annual Work Plan 2023
- Monitoring, Evaluation, and Learning Plan, August 2023
- Adaptive Management Strategy, April 2023
- National Institute of Public Administration Organisation Assessment Report, November 2023
- Research and Analytics Strategy, December 2022
- Localisation Strategy, December 2022
- Ways of Working Agreement, December 2022
- Evidence matrices by OA, 2025
- Pillar 1-3 working strategies, 2024
- INAP Organisation Assessment Report, 2023
- Risk Register, 2024
- Annual Investment Monitoring Report, 2023
- Annual Investment Monitoring Report, 2024

GoTL

- Budget Books 1-6, 2018–2024
- PFM Reform Roadmap 2024
- Procurement Law, 2025
- MoF Five Year Strategic Plan, 2025

Annex 8 List of Key Stakeholders Interviewed

Australian Embassy

- Mr Bonifacio Barreto, Senior Program Manager, Governance
- Ms Octaviana de Carvalho, Senior Program Manager
- Mr Chad Clark, First Secretary, Governance
- Mr Edward Wilkinson, Deputy Head of Mission
- Ms Felicity Errington, First Secretary, Human Development
- Ms Lisa Hannigan, Counsellor, Human Development
- Dr Fiona Meehan, First Secretary
- Ms Penny Roberts, First Secretary, Labour Mobility
- Dr Fabia Shah, Counsellor, Governance and Human Development Branch
- Ms Elise Schuster, Second Secretary, Economics
- Mr Francisco Soares, Senior Program Manager
- Ms Gilberta Soares, Research & Engagement Officer
- Ms Caitlin Wilson, Ambassador
- Mr Thomes Wooden, First Secretary, Economic

Government of Timor Leste

- Civil Service Commission, President plus senior staff
- MPIE, Senior Coordinator plus staff
- MCAE, Director General plus senior colleagues
- MNEC, Director General plus senior colleagues
- Ministry of Finance, Director General PFM Capacity Building
- Ministry of Finance, Inspector General Audit
- Ministry of Finance, Director General Treasury
- Ministry of Finance, Commissioner Customs
- Ministry of Finance, Commissioner Tax
- Ministry of Finance, Chief of Staff, and senior advisors
- Ministry of Finance, Director General IFMIS and senior staff
- Ministry of Finance, Director General Donor Coordination, Loans
- Ministry of Finance, Director General, Budget and Planning, Director Budget, Director Macro fiscal
- Ministry of Finance, Director General UMAD
- Ministry of Education, Director
- Advisor, Former Director General Ministry of Health
- Ministry of Tourism, Director General
- Secretary of State for Equality, Directors-General
- SEFOPE, Directors General plus senior colleagues
- Air Traffic Control, Director plus senior colleagues
- National Institute of Statistics Timor-Leste: National Statistics, Director General plus senior colleagues
- SERVE, Director General plus senior colleagues
- Standard and Quality Institute: National Standards, Director General plus senior colleagues
- National Designated Authority, Climate Commissioner
- TIC Timor, Director and Digital Coordinator
- Presidential CM, Director, and Coordinator of Public Policy Development
- NDC, Executive Director plus senior colleagues

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- TradeInvest, Executive Director plus senior colleagues
- Central Bank of Timor-Leste, Executive Director plus senior colleagues

PROSIVU

- Mr Ian Smith, Team Leader, and program staff from the three Pillars plus the MEL team
- Mr Vin Ashcroft and Mr Andrew Laing, PFM advisers

DFAT Programs

- Mr Drew Mitchell , Team Leader, Market Development Facility, and colleagues
- Ms Ima Pernod, Team Leader, PARTISIPA plus colleagues
- Ms Melinda Mousaco, Team Leader, Partnership for Human Development, and senior staff
- Australian Bureau of Statistics, Tin Kefford and Rob Hamilton, short term TA

Partners

- World Bank , Country Director
- The Asia Foundation, Country Director and Director, Program Delivery
- Rede Feto, Senior staff
- International Finance Corporation, Country Representative, and senior colleagues

Annex 9 Findings

Pillar 1: Inclusive economic growth

Variable performance: OA4 (especially) and OA5 are doing well. Externally driven change... likely to drive further internal reform as accession requirements gain traction.

OA1 on infrastructure: Tricky as it is a source of important advice, but it is not closely related to other Facility activities. Does it fit here? Does DFAT have other options?

Does OA2 (human capital) fit this Pillar? Clearly important but does it detract from Pillar 1 core business?

OA3 Business Enabling Environment (BEE) is struggling: two of the 5 IOs 'paused'. While SERVE and TradeInvest meet regularly (but not frequently), neither agency could provide concrete examples of programmatic or policy coordination or cooperation: can this be strengthened with existing technical assistance (TA)?

BEE has few links with the Market Development Facility (MDF) – there has been little interaction to date.

Pillar 2: More sustainable public financial management

MoF is a critical anchor institution for PFM reform: MoF's central role in fiscal management makes it an essential partner for any meaningful governance reforms. Unlike Pillar 1 or Pillar 3, Pillar 2 is concentrated at MoF hence MoF defines the rules of engagement.

Close alignment with the Ministry's reform agenda is essential. MoF's Five-Year Strategic Plan articulates priority reforms, including procurement reform and Integrated Financial Management Information System (IFMIS) modernization. The design update should reflect these changed GoTL priorities. The choice may be between continuing with a comprehensive approach that attempts to support the entire PFM reform agenda or pivoting to a more focused strategy targeting specific technical areas where traction is demonstrable. Continuing the role and functioning of the Steering Committee is critical here. It has to play its role as the single most important mechanism for ensuring alignment. This is where workplans are discussed and agreed.

Four IOs were paused because GoTL has not requested support in those areas, including:

- IO6.2 (Effective Fiscal Management in SOEs) – Not rated
- IO6.3 (PIM Training) – Not rated due to World Bank leading this work
- IO8.2 (Accounting Procedures) – Not rated as other donors are providing support
- IO8.3 (Debt Management) – Not rated as it's not a government priority.

Should they remain?

Would a more targeted approach focusing on demonstrated success areas be more effective? The design update should consider whether the Pillar should concentrate resources on two or three specific functional areas (like fiscal monitoring) where it has demonstrated value rather than attempting comprehensive PFM reform support.

Stretching yet realistic targets: PROSIVU has ambitious targets. There is nothing wrong with ambition, but they should be tempered with realism given the timeframe of PROSIVU. For example, IO7.4 (VAT Implementation) is linked to an objective of 'MoF raising more tax revenue,' which implies a significant increase in domestic revenue mobilisation within a short timeframe.

Across IO collaboration: Medium term and annual planning are two sides of the same coin. PROSIVU advisers must connect the PROSIVU relationships across various ministries to ensure work is looping back and forth in ways which are useful. At the time of the review, the UMAD (Monitoring, Evaluation, and Performance Unit) work was in its early stage, with priorities being figured out. As it matures, there should be more engagement with other areas, including TIFIS and capacity building.

Prioritise requests: The PFM Capacity Building Centre has requested PROSIVU to provide a 'Capacity Building' adviser, and this position was identified as a priority by MoF. Treasury has foreshadowed a request for support on bonds and T-bills, but this awaits further MoF analysis. PROSIVU should periodically reassess Pillar 2 to ensure it aligns with MoF strategy. DFAT leadership has a key role to play here so PROSIVU does not get pulled in different directions at the DG level.

Pillar 3: Better public administration

The civil service is clearly a critical 'institution': Good policies can be degraded by weak institutions, so a strong prima facie case to continue (paragraphs 7.5 – 7.12).

However, there are few tangible results to date from supporting the Civil Service Commission (CSC). The CSC has a new President. This may change the outlook of the CSC from drafting rules and regulations to one of support for, and oversight of, MDAs.

The incentives for meritocracy require strengthening across the civil service to ensure that Timor-Leste as a politically dynamic nation can fully benefit from the reform process.

CSC support needs greater focus. PROSIVU is simultaneously trying to reform the CSC and help MDAs with civil service management. four of the seven IOs of Pillar 3 are about supporting MDAs. Given the history and the priority: why not have one OA only and drop the IOs which are about MDAs (IO 9.2, IO 9.4, IO 10.1, and IO 10.3) and focus just on the CSC (IO 9.1, 9.3, and IO 10.2)?

Annex 10 Review Recommendations

A. Strategic recommendations

1. Theory of Change

- Draft a ToC for the overall investment and individual ToCs for each Pillar as an immediate priority.
- Short-Term (to end Phase 1): PROSIVU needs to review the political feasibility of its 10 OAs and its 39 IOs. These are all presented in neat program logic terms, but a program logic and a ToC are not synonymous. This should be undertaken over the next 12 months as a precursor to the design update.
- Longer-Term: Design Update Review and update as needed every six months.

2. Strategic positioning

- DFAT should consider whether it wants to continue its strategy of ‘responsiveness and relationships’ or switch to one of ‘focus and finesse’.
- Short-Term (to end Phase 1): DFAT to reflect and draft appropriate ToRs for the design update (see also 4 below).
- Longer-Term: Design Update Regardless of the strategic choice, any design update should reflect a narrower focus in each of the Pillars (recommendations 7–9, and paragraphs 5.3–5.9).

3. GEDSI strategy

- Pursue a more focused GEDSI strategy with fewer and more targeted gender and disability outcomes.
- Short-Term (to end Phase 1):
 - Build into the design update ToRs, with specific direction on locking commitments into the Statement of Requirements (SoR) to avoid the downgrading of GEDSI that has happened between design and delivery under PROSIVU.
 - Drawing on the streamlined GEDSI strategy, identify the activities where PROSIVU has the greatest prospect of being able to report against outcomes. Maximum of 10 activities (mix of targeted + mainstreamed). Resource and pursue.
 - Determine a limited number of strategic activities that are mainstreamed and specific to enable more effective engagement on transformative change for disability equity and rights. See paragraphs 5.3–5.9.
 - Meaningfully connect to Organisations of Persons with Disabilities (OPDs) by increasing partnership with OPDs and ensuring a rights-based approach to this engagement.
- Longer-Term: Design Update Take stock of whether PROSIVU could be more impactful – through a concentrated focus on one part of the economy e.g. child and elder care provision, Gender Based Violence cost to the economy, formal employment of people with disabilities.

4. End-of-program outcomes

- PROSIVU senior management to reflect on three current EOPOs and have a view ready for design update.
- Short-Term (to end Phase 1): The design update should revisit the logic: how will EOPO 2 and EOPO 3 contribute to EOPO 1?
- In the longer term, address outcome alignment as part of the design update.

B. Programmatic recommendations

5. Pillar 1 – economic governance

- Pillar 1: Reduce the scope of the Pillar. Currently some of its OAs represent more of a convenience for DFAT than a strategically focused and purposive program (section 9). IOs to be dropped in the design update would include tourism, labour mobility and TVET; public investment planning; the ‘human capital’ work; state-owned enterprise; climate, debt management, and TIC Timor. It is also recommended that support for meeting ASEAN accession requirements be increased as soon as possible. This is the one driver of reform that is externally driven, critical for the GoTL political leadership, and thus non-negotiable.
- Short-Term (to end Phase 1): Begin immediately to phase out (i.e. manage to conclusion) lower priority areas which can be completed at the end of Phase 1.
- Identify as soon as possible if further support to the ASEAN accession agenda is needed and prioritise those areas that will drive reform in Timor-Leste’s regulatory environment and in enabling business licencing, both domestic and foreign.
- Longer-Term: Design Update An updated and consolidated Pillar 1 should be a focus of the design update.

6. Pillar 2 – public financial management

- Pillar 2: This Pillar requires reconsideration and a design update given the weaknesses identified in this report.
- Short-Term (to end Phase 1): DFAT and PROSIVU start thinking immediately on how to improve the impact of this Pillar. It may not be possible to make sudden changes now, but the ToRs for the design update should be clear on the problems this report has identified.
- In the meantime, PROSIVU should reassess the performance and placement of advisers in conjunction with MoF.
- Longer-Term: Design Update Reconsider OA6 and OA8 and prioritise support to OA7 (budget reform), with sustained and closer engagement with MoF on its reform priorities.
- DFAT to continue their consideration of whether it is feasible that parts of the PFM workstream can be allocated to well-placed delivery partners who have existing long-term technical relationships with MoF.
- Reengage with MoF on its priorities. The Program Steering Committee (PSC) as a yearly mechanism is not enough.
- Consider if PFM support to the line ministries is financially feasible in the design update

7. Pillar 3 – public service reform

- Keep Pillar 3 small. Progress here has been limited, but evidence is overwhelming: a meritocratic and well-managed public service is the single most important driver of growth. DFAT could pull out but then re-entry would be difficult if the CSC can pull off some serious reforms.
- Short-Term (to end Phase 1): Start discussions with CSC on priorities for the design update and reflect this in the ToRs for the design update.
- Be modest regarding EOPO 3 in the design update but emphasise leadership training and accountability of both work units and individual public servants.

8. Organisational capability

- Recognise that building organisational capability is not only about individual skills and competencies. Skills and competencies may be at a foundational level, but there are other contributory issues too: empowerment, delegation of authority, confidence in decision making, and an operational system of performance assessment. Skills and competencies are necessary, but they are not sufficient.
- Short-Term (to end Phase 1): Prior to agreeing an adviser placement, require the requesting MDA to provide a short assessment of its overall organisational capability, not just what skills and competencies are missing. If the issue is indeed the absence of skills

and competencies, the request should be clear about how an adviser would improve organisational performance.

9. Human resource systems

- Provide whatever support is needed to the CSC to ensure the integration of the established database with the MoF payroll.
- Short-Term (to end Phase 1): Support to be discussed and agreed as soon as possible.

10. Cross-program collaboration

- The three Pillar Strategies refer to interaction among the Pillars on specific OAs. This does not seem to have happened in a meaningful way. A fresh look at cross-program collaboration should be a major feature of the design update (see also recommendation 16).
- Short-Term (to end Phase 1): This should be reflected in the ToRs for the design update.

11. Pillar strategies

- The three Pillar strategies should only be updated if DFAT and PROSIVU are convinced that they will have immediate operational value.
- Short-Term (to end Phase 1): The ToRs for the design update should identify 'headline' strategies for each Pillar.
- Ensure that the GEDSI team is an integral part of updates to identify selected, promising activities to pursue.

12. Gender and disability budgeting

- Clear-eyed decisions need to be made on the ongoing Gender Responsive Budgeting (GRB) engagement, and the options brief on disability budgeting.
- Short-Term (to end Phase 1): Provide a documented update to the 14 management recommendations under the GRB and gender equality review, share with DFAT and design team.
- Share the GRB and gender equality review with the disability budget Indigenous Peoples' working group and decide on way forward, noting the Ministry of Social Solidarity and Inclusion (MSSI) has the mandate for the budget marker but PROSIVU partners with MoF. Engage with the Partnership for Human Development (PHD) to track the lessons on the Direct Budget Support and gender criteria for performance payment, and with AFI on the Yellow Road gender budget outcomes.
- Longer-Term: Design Update Report on GRB against the management recommendations and the decision on disability budgeting in the annual report.

13. Disability equity and rights

- Be informed and build upon GoTL's disability commitments related to PROSIVU's Pillars.
- Short-Term (to end Phase 1): Explore engagement with DNAP as the nationally endorsed mechanism to progress disability equity and rights across GoTL, supporting line ministries currently party to the DNAP and increasing engagement from central ministries not yet party. This offers strategic opportunities to progress coordination, commitment and budgeting to disability equity and rights.
- Deepen the work with the Ministry of Transport on disability.
- Further support to the CSC who have fostered inclusive recruitment and promotion practices.

14. Internal GEDSI capability

- Increase fluency on GEDSI internally.
- Short-Term (to end Phase 1): Develop an internal transformation process through workshops and activities to build staff knowledge on disability equity and rights, including the diversity of disability, meaningful engagement with diverse people with disability, and

good practice on engaging with OPDs and strengthening the disability movement. Likewise for gender equality and engagement with women's rights organisations.

C. Operational recommendations

15. Common indicators and outcomes across designs

- In the new designs for Private Sector Development (PSD), labour mobility, and Human Development (HD), and possibly other new designs / design updates, design teams should consider the viability and appropriateness of common IOs and possibly a common EOPO. This will incentivise collaboration (rather than simple coordination) among implementing partners.
- Short Term (to end Phase 1): ToRs for design teams should specify this with immediate effect.
- Longer Term: Implementation of common IOs to start when the new programs come into effect

16. Adaptive management delegations

- Articulate the level of authority delegated to PROSIVU to implement its Adaptive Management strategy (Annex 5 for a full discussion).
- Short Term (to end Phase 1): DFAT and PROSIVU to open discussions and agree appropriate levels of delegation for design update to come.

17. Joint advisor reporting

- Ensure adviser monthly / 3-monthly reports are completed jointly by GoTL line managers as well as PROSIVU staff.
- Short Term (to end Phase 1): To start immediately.

18. Steering Committee

- DFAT to consider formalising the role of the PROSIVU Steering Committee to accept (or otherwise) the forward annual plans and budgets of the three Pillars.
- Short Term (to end Phase 1): To be put in place as soon as possible.

19. MEL plan refocus

- For the design update, the Monitoring Evaluation and Learning (MEL) Plan should be modestly reformulated to identify specific measurable indicators at the IO level. These should be tracked and discussed with GoTL at the 6-monthly review and reflection exercises, as they represent joint responsibilities. Advisers should be required to assess progress towards IOs as well as recording activities and outputs.
- Short Term (to end Phase 1): The strong MEL team in PROSIVU can begin thinking about this modest shift now, with a view to implementation in the design update.

20. Budget and HR reshaping for GEDSI

- Reshape budget and human resourcing arrangements.
- Short Term (to end Phase 1):
 - Immediately extract from the Pillars a stand-alone budget for the GEDSI team to manage.
 - Consider undertaking a review of PROSIVU's gender and disability spend over FY 2024–25.
 - Engage disability expertise.
 - Maintain reporting line of GEDSI team to Team Leader, and review reporting lines between GEDSI long-term and short-term advisers.
- Longer Term: Repeat gender and disability spend review each FY and include in annual report.

Annex 11 Summary Assessment by Outcome Area

EOPO 1 – Stronger, more inclusive economic growth

Central and economic agencies lead the development and implementation of evidenced-based, inclusive and internationally engaged economic policies and investments that will contribute to inclusive economic growth.

OA1 – Quality Targeted Infrastructure

- PROSIVU has provided some excellent inputs, particularly in the aviation sector.
- Key question is the extent to which this work coheres with the wider Facility.
- The MTR appreciates the importance of this work to DFAT.
- If there is no other investment in DFAT's country portfolio, and DFAT wishes to maintain responsiveness and increase impact, a fourth 'unprescribed' Pillar could be added to house such investments.

OA2 – Human capital

- Work will be moved to the new labour mobility program now being designed.
- This is sensible and is welcomed by the MTR team.

OA3 – Business Enabling Environment

- Progress has been slow and hard work.
- Given its critical importance to the economic diversification agenda, continuation is recommended.
- If PROSIVU is narrowed in the design update, this work should be intensified, but only after a more detailed assessment of organisational challenges.

OA4 – Internationally Engaged Economy

- Stand-out success for PROSIVU to date, reflecting strong political commitment and capable technical leadership.
- WTO accession and ASEAN integration could drive further economic, fiscal, and regulatory reform.
- If confirmed, these areas should influence – if not determine – PROSIVU investment choices in the remainder of Phase One and in the design update.

OA5 – Long-Term Economic Planning

- Some progress made.
- GoTL interlocutors were hesitant to claim data is a key driver of decision-making.

EOPO 2 – Sustainable public finances

Central agencies lead a coordinated, results-driven, and inclusive planning and budgeting framework that is aligned with the GoTL Strategic Development Plan and the Public Financial Management Reform Strategy.

OA6 – Inclusive Public Investment Planning and Budgeting

- Public investment planning suffers from institutional fragmentation and coordination challenges among MPIE, MoF, National Development Agency and Administrative Council of the Infrastructure Fund.
- PROSIVU's development of prioritisation methodologies and planning systems is at an early stage; impact is too soon to assess.
- Technical assistance struggles to address fundamental structural issues; medium-term planning is perceived as disconnected from the annual budget that drives expenditure.
- Infrastructure planning and budgeting is fragmented and requires high-level political will to bring stakeholders together.

OA7 – Budget Reform

- Mixed results: stronger VAT implementation and program budgeting in MoF, but persistent challenges in line ministries.
- TIFIS faces usability issues despite deployment – but has high buy-in from the MoF executive.
- Gender and disability budgeting remain procedural rather than transformative, with limited substantive implementation beyond policy documents.

OA8 – Accountable Budget Execution

- Uneven progress: effective TA to the National Procurement Commission, but some support paused at MoF request.
- Budget execution in MoF has operated disconnected from M&E processes in the past; the creation of UMAD and analytical support provided by TIFIS show space for engagement, but capacity building is required for lasting change.

EOP0 3 – Better public administration

Central agencies lead and coordinate reforms to deliver a more inclusive, merit-based, accountable and responsive public administration.

OA9 – Strengthened governance policy and systems

- Limited evidence of substantive implementation to date; some progress on formal policies and regulations.
- Cross-MDA coordination procedures exist, but interlocutors reported competition rather than collaboration.
- Digitisation enthusiasm is high, but capacity constraints are acute (e.g., SERVE has 63,000 registrations, one scanner, and a backlog of 45,000 licences to scan).

OA10 – Human Resources

- Likely the hardest OA to achieve.
- This area is critical to reform yet typically most resistant.

Annex 12 MTR Proposed Timelines

Stage 1 – Desk Review (including Political Economy Analysis)

Item 1 – A Review Plan

Indicative start date: 18 February 2025.

Estimated input days: Up to 5.

Guidance & notes:

- Reflect initial verbal briefing from DFAT on key issues and priority information.
- Review key documents.
- Include a brief political economy analysis (PEA).
- Draft the plan for Stage 2 consultations (March).

Stage 2 – Review Mission (preparation, in-country consultations, Aide Memoire)

Item 2 – Stakeholder Consultations and Aide Memoire

Indicative start date: 27 Feb 2025.

Estimated input days: Up to 60.

Guidance & notes:

- Aide Memoire (maximum 5 pages) consistent with DFAT's outline.
- Update the PEA.
- Canberra consultations (remote).
- Review mission with in-country consultations in Dili with Timor-Leste stakeholders (preferred in-country window: 5 March to 4 April).

Stage 3 – Review Reporting (draft then final)

Item 3(a) – Draft Mid-Term Review (MTR) Report

Indicative start date: 9 April 2025.

Estimated input days: Up to 20.

Guidance & notes:

- Maximum 25 pages (annexes not counted).
- Include executive summary and introduction; findings and analysis; and recommendations.
- Must meet DFAT's M&E standards.

Item 3(b) – Final Mid-Term Review (MTR) Report

Indicative start date: 30 April.

Estimated input days: Up to 12.

Guidance & notes:

- Incorporate Stage 3 (Reporting) feedback and comments from DFAT (to be provided to the Review Team by 9 May).
- Include a presentation of findings.
- Recommendations should inform the PROSIVU extension phase.

Stage 4 – Dissemination / Knowledge Sharing

Item 4 – Dissemination / Knowledge Sharing

Indicative period: May/June 2025.

Estimated input days: Up to 3.

Guidance & notes:

- Subject to further discussion with Post, it is expected the Review Team (or team leader) will play an active role in disseminating review findings (e.g., knowledge-sharing sessions).
- The final review with a management response will be published online, consistent with DFAT policy.

Summary

Deliverables window: February–June 2025.

Total estimated inputs: Up to 100 days.

Annex 13 Lines of Further Inquiry

Relevance

1. Is the program using a relevant set of modalities?

The default modality is the provision of technical advisers or advice through twinning. This has been the default mechanism of support since UNTAET immediately after Independence. ‘...the emphasis on technical assistance as a solution to institutional, governance, and administrative constraints was striking, with capacity gaps receiving much more attention than remaining political divisions, contestation, history of geography’ (Tobias Haque. PhD Thesis ‘The Price of Peace: Public Financial Institutions and Social Order in Post-Conflict Countries’, ANU 2023). It seems unarguable that the provision of advice from outside the formal civil services is now the expected and accepted ‘solution’ to all issues of weak organisational capacity – accepted by the GoTL and donors. The question is whether this Path Dependence can ever be broken, and is there a role for PROSIVU here?

2. Is there a consensus regarding economic priorities in the country?

This is debatable. The IXth Government is absolutely committed to Greater Sunrise and does not countenance any discussion of the so-called fiscal cliff. Priorities of the current government have shifted from those of the previous administration, but largely around ‘the margins’. The commitment to economic diversification, integration into the regional and global economy, and infrastructure development remain. A case can be made that the commitment to primary health and education have declined.

3. How and to what extent has PROSIVU responded to the changing context and priorities of the Timor-Leste and Australia governments?

PROSIVU managed this well – mainly by ‘pausing’ activity for 12 months. It is difficult to overstate the hiatus in decisions, filling GoTL positions, and policy direction that followed the June 2023 election. PROSIVU just had to wait it out.

4. How has PROSIVU navigated GoTL political changes and what risks and opportunities have these changes presented?

PROSIVU did this well. As noted above the main response was to wait rather than plough on regardless and seek to implement the IDD. The risk of course was an increase in the possibility (likelihood?) of missing the IOs and EOPOs through delay. However, the alternative was an even higher risk – continuing with investments that no longer had GoTL support.

Impact and Effectiveness

5. How effectively has PROSIVU built on previous Australian support for economic governance in Timor-Leste (GfD)?

Some changes were made following GfD although these were minimal. The Inception Report notes that changes were ‘minimal’ (page 8). Changes became more prominent as the new government settled in particularly a greater emphasis on building close relationships. In terms of substance there was less of a shift.

6. What are the main lessons in terms of achieving progress towards its IOs and EOPOs?

Two lessons. First, that the IDD was too ambitious. It is unlikely that many IOs will be met in full. Second, that progress depends absolutely on the political commitment to, and political interest in, the specific activities of the program. This raises one failure of PROSIVU: the absence of a coherent theory of change where political ‘likelihood’ and ‘feasibility’ has not been considered.

What theories of change have been used, and how have they been evaluated and revised over the life of the program?

None. Annex 10 of the IDD refers to a separate document which does not seem to exist. The IDD and subsequent documents assume that a program logic and a theory of change are synonymous

7. What has been the pattern of expenditure?

Slow in 2023 and the first six months of 2024. Now as broadly budgeted.

8. What evidence is there of gender responsive budgeting / disability inclusion in determining expenditure

There is evidence that PROSIVU has supported GRB inputs, in particular 'tagging' through the Pillar 2 TA support to SEI. SEI commented that the percentage of the budget tagged has increased over time. However, the analysis underpinning the tagging, the accuracy of the tagging, and its influence on allocations is not known. PROSIVU's discrete, arms-length funding of AFI's work with MoF – and its access to fiscal and non-fiscal data – may be a more influential channel for GRB. PROSIVU could and should draw more on the Australian GRB expertise and current domestic approaches. Disability based budgeting was at the options paper stage at the time of MTR. Lessons from the GRB experience need to be fully reckoned with, as does understanding of the appropriate parts of government to engage with on this agenda.

9. How has PROSIVU measured the performance of its advisors?

Limited as far as the MTR team could tell. Monthly reports on Adviser activities were submitted, but not to the GoTL. This should be rectified as soon as possible with the PROSIVU team preparing a simple one-page template, to be completed in the first instance by the GoTL manager of the adviser, then signed off by PROSIVU. The results should be shared with the Embassy. Every three months is recommended for long term advisers (one month is too short and will encourage reporting on activities only. The reports should focus on assessing progress to IOs.

10. Has the MEL delivered convincing and timely data regarding IOs and EOIOs? If not, why not, and how could this be addressed?

The MEL system being put in place is complicated yet valid. It uses a mix of qualitative and quantitative data at the IO level. This is still work in progress. The MEL team should be encouraged to find ways to compress the reports as at the moment they are lengthy. The system should be reviewed at end of Phase 1

11. What are the main lessons that have been learned, particularly regarding the change of government in Timor during Phase 1?

That each successive change of government is likely to involve significant upheaval and delay. This caused many (all?) DFAT programs to stall. What can be done about this? Probably very little. Can DFAT facilitate senior Australian politicians to meet with GoTL counterparts and argue that not everything that the previous government did will always and everywhere be bad?

12. What are the strengths and weaknesses of PROSIVU's annual planning and budgeting process? Is it integrated with the MEL?

The political turbulence in Timor-Leste during 2017–2021 significantly disrupted PFM reform efforts, with multiple budget crises stemming from failed approvals, controversial amendments, and coalition breakdowns. These disruptions forced the country into duo-decimal budgeting and required extraordinary Petroleum Fund withdrawals. This period demonstrated that development programs must build resilience against political transitions through sufficient continuity planning and deeper engagement with permanent institutional structures rather than solely focusing on specific individuals or units.

The formation of the 9th Constitutional Government in 2023 revealed additional lessons about effective engagement. Despite PROSIVU establishing physical presence within the Ministry of Finance, historical perceptions about DFAT's previous alignment with UPMA continued to hinder receptiveness. Engagement focused on specific Director Generals rather than the Executive Office missed key power dynamics, while technical credibility issues undermined program contributions. Success requires prioritizing relationship-building with executive leadership, demonstrating responsiveness to government priorities as articulated in strategic plans, and focusing resources on specific reform priorities rather than legacy agendas

13. What have the progress reports reported since the program began, particularly as regards legislative changes and contribution to GoTL capacity?

There are multiple examples of legislative changes, variations in rules and regulations and operating procedures. This is a strength of PROSIVU. The question is what difference will all these changes make to delivery and GoTL performance? It is too early yet to answer this question

14. Have there been any issues with regard to establishing credible, baseline data?

The issues are why was the baseline report produced late – in December 2023 rather than as an immediate priority, and why have the 22 KPI's articulated therein not been incorporated into the MELP and updated?

Efficiency

15. How appropriate and efficient are the different PROSIVU delivery modalities in terms of value for money and time and resources used to achieve program outcomes?

This is hard to answer unequivocally. Advisers are sought by GoTL and appreciated. Local TA is cheaper and faster to recruit than international TA. At the moment (April 2025) there are 30 TA in post (13 international and 17 local), with five more under recruitment (three international and two local). Do these all represent good VfM? Without a formal assessment of performance and outcomes it is impossible to judge. Certainly.

5. Is the program resourced adequately to deliver its remit over the program?

The management of advisers is a source of great pressure on the PROSIVU team. It is possible that more resources are required

16. What is the health of PROSIVUs partnerships with (a) GoTL counterparts at the national level, and how could these partnerships be improved?

Mostly good. The main issue is with the Executive Office in the Ministry of Finance as described in the report. The principal way to improve the relationship is at senior level in the Embassy

17. To what extent is the program coherent with other DFAT programs?

18. How does the program work with other DFAT-funded programs?

Limited. Even the Market Development Facility has weak links with PROSIVU. The PFM work is another example where coordination, a common understand and a unified approach is lacking.

Cross-cutting

19. To what extent does PROSIVU support GoTL and GoA development priorities in advancing GEDSI? Are there gaps?

Progress has been most evident in the last 12 months but scattered rather than strategic prior to this time. The pillar structure and siloed budgets have not been conducive for the collaboration needed for substantive mainstreaming or targeted activities. There is much internal staff sensitisation to be done, including building a shared understanding of inclusive growth.

20. To what extent has PROSIVU applied an intersectionality lens in its program planning and implementation?

An intersectional lens has been incidental rather than intentional – primarily in the support to the Maubisse Declaration on rural women’s lives – including reference to women with disabilities, and support to Rede Feto’s women’s congress and publication. The impetus for the former has been to support an area of demand from SEI, rather than specifically segmenting rural women as a focus. Disability equity and rights – one of DFAT and Post’s social policy priorities – has been marginal as a focus.

21. To what extent is climate change resilience/adaptation considered in the design and implementation of PROSIVU?

Climate change and disaster resilience is not meaningfully, substantively integrated into the program. Little evidence of prioritisation to date by PROSIVU’s array of GoTL partners.

Sustainability

22. What does sustainability mean in the context of PROSIVU?

PROSIVU does not define sustainability clearly and unequivocally

23. What changes could be made to the design of the program to improve sustainability?

The MTR team assume that in the context of PROSIVU sustainability refers to the continued commitment to, and implementation of, reforms proposed by advisers. The last two years has demonstrated that this is by no means assured. DFAT should expect some reforms to stick, while others may ‘wither on the vine’. Most reforms will occur slowly; the digitisation of business licenses in SERVE is a case in point. There are 63,000 business registered in Timor-Leste, and to date only 17,000 have been scanned and put in file

This is the ‘holy grail’ of development investments. The choice is between investing in what has the greatest likelihood of success – which means being sure of meaningful political commitment – or investing where the perceived need for reform is greatest – but where there may be limited political interest in change. The MTR team have concluded that Design update should be slimmed down. By all means keep the three Pillars, but within each focus on the outcome Areas and the Intermediate Outcomes where the theory of change suggests there may be political commitment. But to do this – the program needs a theory of change – in fact it needs three

24. Is there a clear vision for sustainability in PROSIVU?

No – see section 5.