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## **Preamble**

Agreement was reached in July 2007 to resolve differences in interpretation (made in good faith) of sections of the contract that pertain to the timing of the production of reports. It was understood from earlier discussions that the second PSCDP Annual Plan (for 2007-2008) would be submitted at the end of the third quarter of the calendar year 2007. The current interpretation of the contract requires that the second Annual Plan be submitted by the third quarter of Financial Year 2007 (15 April 2007 as payment Milestone 4).

AusAID has therefore agreed that:

- A 'Provisional Annual Plan 2007-2008' will be submitted by 26 July 2007. This document will comprise a six-month report for the period February to July 2007 together with a provisional work plan and financial projections for the period July 2007 to June 2008. This was done on time.
- A draft of the final Annual Plan 2007-2008 will be submitted to AusAID by 30 September 2007. Payment against Milestone 4 will be made by AusAID on acceptance of the final Annual Plan, in mid-October 2007.
- The next six-month plan, which should be submitted by 15 October 2007, may be included as part of the Annual Plan 2007-2008. Accordingly, approval of this PSCDP Annual Plan 2007-2008 will also trigger payment against Milestone 5.

## **Preface**

This Annual Plan serves a number of purposes and has several different audiences. Its main purpose is to provide an accurate account of what has been accomplished to date by the Program, and what is planned, and to set out the underlying rationale for Program strategy and action. The rationale is derived from an assessment of the policy directions of the new Government of Timor-Leste (based on formal statements and discussions), careful analysis of the Program's development context, a review of recent development literature on fragile states, and consideration of the Program's design parameters. The Annual Plan also attempts to explain the character of Program progress and it discusses risks faced by the Program. All of these are complex topics that receive thorough treatment in this Annual Plan.

The above constitutes the foundations of our approach to the strategic management of the Program. As a crucial component of this, we have continued to base our strategic objectives partly on careful consideration of the best available findings and thinking on problems of development management and conflict prevention in fragile states. While such discussion may not be commonplace in other annual plans, the complexity of the Timor-Leste environment makes sound analysis in these terms a critical starting point. By presenting ideas derived from such analysis for consideration and debate, the Annual Plan should better inform decisions concerning the positioning and character of Program assistance. At the same time, each Annual Plan will constitute part of the record of the evolution of the Program's strategic thinking.

As with all strategic plans, this Annual Plan is subject to change in the light of unfolding events and improved knowledge and understanding. Central to this process are the discussions that have commenced with the new Government of Timor-Leste (GoTL) - and are ongoing – concerning its priorities and the Program's ability to support them.

The document is structured in a way that permits it to be dipped-in to and it contains two summary statements – an Executive Summary and a Program Outline.

Peter Blunt  
PSCDP Program Manager – for PSCDP core team  
Dili, 30 September 2007

## Acknowledgements

We would like to acknowledge the good work of all of those who have contributed to whatever success the Program can be said to have had to date. First, the foundations of the Program's work lie in the effective and harmonious working relations that have been established with our main counterparts in government, particularly the (former) members of the Program Management Group and, more recently, senior members of the new GoTL. Mutual respect based on recognition of professional credibility; ethical behaviour (including merit-based impartiality); commitment to getting the job done; doing what you say you will do or authenticity; and trust are the hallmarks of such relations. We thank everyone involved for making this possible. In particular, we would like to thank all of those senior members of the new GoTL who have given so generously of their time during this extremely busy period.

Second, the management of the Program by AusAID has been exemplary. Again, the crucial ingredients have been those of mutual respect and trust combined with healthy and undefensive critical debate of high quality concerning the development and management issues confronting the Program. Our sincere thanks go to Robin Scott-Charlton, Paul Keogh and David Hook for creating a working culture that is conducive to this and to David and Carmeneza Monteiro for operationalising it so efficiently and effectively; for helping Program performance by allowing us to get on with the job, rather than hindering it through an over-emphasis on control; for supporting the positions we took on sometimes difficult issues and accepting our professional advice; and for humanising the management relationship with good humour, thoughtful consideration, warmth, and courtesy. It goes without saying that we are sorry to see Paul, David and Carmen move on to other things. They take with them our heartfelt thanks for a job well done and our very best wishes for whatever it is that they do next. We look forward to building similar working relations with their successors, particularly Stephen Close and Donna-Jean Nicholson.

Third, to PSCDP advisers (other than the PSCDP core team) and to PSCDP main office support staff we say thank you for the work you have done to date, while exhorting you to take seriously the idea of continuous improvement, which in the interests of Program performance we all must.

Finally, the Program would like to acknowledge the excellent work of Joao Cancio Freitas in his management of the Australian scholarship programmes for which the PSCDP has responsibility. We would also like to take this opportunity to congratulate him on his richly-deserved appointment as Minister of Education in the newly-formed Government of Timor-Leste, and to wish him the very best of luck in his new position. We look forward to maintaining close contact with him and to exploring ways in which the Program can support the work of the Ministry of Education.

Peter Blunt  
PSCDP Program Manager – for PSCDP core team  
Dili, 30 September 2007

## List of Acronyms

ADS	Australian Development Scholarship
AETCBF	Australia East Timor Capacity Building Facility
AGC	Annabelle Cajita
ALA	Australian Leadership Awards
AP	Annual Plan
AusAID	Australian Agency for International Development
AYAD	Australian Youth Ambassadors
CBF	Capacity Building Facility
CDCU	Capacity Development Coordination Unit
COM	Council of Ministers
DPMG	Development Policy and Management Group
ECDPM	European Centre for Development Policy Management
GoTL	Government of Timor-Leste
HC	Head Contract
HRM	Human Resources Management
IDPs	Internally displaced persons
INAP	National Public Administration Institute
JICA	Japanese International Cooperation Agency
JW	John Walsh
MAFF	Ministry of Agriculture Forestry and Fisheries
MB	Maria Braz
MC	Managing Contractor
MCDAP	Ministry Capacity Development Action Plan
MOSA	Ministry of State Administration
MOH	Ministry of Health
MOI	Ministry of Interior
MOJ	Ministry of Justice
MNRMEP	Ministry for Natural Resources, Mineral and Energy Policy
NDPS	National Directorate of Public Service
NDPEAC	National Directorate of Planning and External Assistance Coordination
NGO	Non Government Organization
OIG	Office of the Inspector General
OP	Office of the Provedore
OPG	Office of the Prosecutor General
PAF	Program Assessment Framework
PB	Peter Blunt
PDD	Program Design Document
PMG	Program Management Group
POSI	Pillars of the State Institutions
PSCDP	Public Sector Capacity Development Program
SATTL	Strengthening Accountability and Transparency in Timor Leste
SHD	Sustainable Human Development
SIPs	Sector Investment Programmes
SSCOM	Secretary of State of the Council of Ministers
SWG	Sector Working Group
UN	United Nations
UNDP	United Nations Development Program
UNOTIL	United Nations Office in East Timor
USAID	United States Agency for International Development

## Executive Summary

1. This report is the second Annual Plan for PSCDP. It reports on progress over the period February to September 2007 (taking up where the first six-month report left off); expenditure over the period July 2006 - September 2007; and incorporates a work plan and financial projections for the period July 2007 – June 2008.

2. An outline of the Program is presented in a separate short section immediately following this Executive Summary.

## Context, Aid Effectiveness, and Risks

3. **Governance context:** Institutional re-arrangements following the formation of the new Government of Timor-Leste in early August have had a significant bearing on the identity and institutional location of two and possibly three of PSCDP's main counterpart agencies and many of the Program's activities, falling within both categories of Program support, but predominantly Program Activities. The likely changes are set out below in a separate section of this report entitled, Program Outline.

4. Further analysis of the Program's pre- and post-election governance context, particularly the new GoTL's pro-poor development policy emphasis, and the most recent findings from the development literature (on fragile and post-conflict states) confirm that the Program should continue to search for ways of addressing governance (public sector management) issues that have as direct and immediate an impact as possible on poverty reduction and combating perceptions of social exclusion among ordinary people – thereby helping to ensure political stability and to maintain good progress with sustainable human development.<sup>1</sup> This reiterates the conclusions reached in the Program's Annual Plan 2006-2007. These conclusions are widely supported in the development literature (for example, Sachs, 2005).<sup>2</sup> The contributions of existing Program Activities (formerly 'core' activities) and Additional Initiatives (formerly 'non-core' activities) to poverty reduction and combating perceptions of social and economic exclusion are assessed with a view to enhancing their contributions to these ends (see Table 1).

5. Possibilities for new PSCDP support that would be most directly responsive to these needs include aspects of deconcentration (for example, in education and/or health and/or agriculture and/or livelihoods more generally) and issues surrounding land titling and registration. These avenues and others will be considered more fully in the next few months and during the planning period as a whole. There will be limited funds available for the development of new Additional Initiatives but, as things stand, no funds available for new Program Activities during the planning period.

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<sup>1</sup> This view is endorsed by USAID (2005): 'Research indicates that the instability associated with fragile states is the product of ineffective and illegitimate governance. Effectiveness refers to the capability of the government to work with society to assure the provision of order and public goods or services. Legitimacy refers to the perception by important segments of society that the government is exercising state power in ways that are reasonably fair and in the interests of the nation as a whole.' (p. 3); and 'when deterioration in effectiveness and legitimacy combine with violent conflict, protracted state failure is highly likely' (p. 4). See USAID (2005). *Fragile States Strategy*. Washington, DC: USAID, pp. 28.

<sup>2</sup> See Sachs, J. (2005). *The End of Poverty: How we can make it happen in our Lifetime*. London: Penguin.

6. **Technical assistance and aid effectiveness:** A review of recent literature on these topics indicates that PSCDP is abreast of or ahead of the ‘game’ in relation to all of the recommendations made in the reports referred to. The strategic direction of PSCDP is strongly endorsed by the recent literature. Moreover, a number of recommendations made by the European Centre for Development Policy Management (2007)<sup>3</sup> refer specifically to the desirability of activities already being pursued by PSCDP – for example, workforce planning, and other aspects of human resource management. The main recommendations made in these reports and PSCDP responses to them are discussed in detail in the body of the report.

7. At the behest of AusAID, proposals are also made for addressing questions of (Australian) aid effectiveness in Timor-Leste more broadly (that is, outside of PSCDP). It is suggested that a ‘*Development Policy and Management Group (Timor-Leste)*’ (DPMG) be established for the provision to AusAID (at AusAID’s behest) of a range of strategic management services and policy advice. In Section 1.2.2 of the document, the strategic objectives that such a group would serve are outlined; the Group’s composition and TOR for positions are set out (the latter in Annex D); and costs are estimated (in Annex E). The implications for PSCDP of what is proposed are also considered.

8. The extent to which it is possible to achieve the objectives proposed for the DPMG will have a significant bearing on: the overall impact of Australian development assistance to Timor-Leste, or its effectiveness; its coherence and interconnectedness; its harmonisation with other development initiatives; and its alignment with the strategic objectives of the governments of Timor-Leste and of Australia.

9. **Risks:** Program risks and actions being taken to ameliorate them that are set out in the PSCDP Annual Plan 2006-2007 remain valid. Additional risks whose significance has become evident since then include those associated with: (1) adviser quality and the importance to this of recruitment; (2) issues surrounding special pleading for advisers whom the Program regards not to be performing satisfactorily, and resulting adviser ‘embeddedness’; and (3) adviser understanding of basic questions surrounding capacity development and other cross-cutting issues, and their abilities to incorporate these matters in their work.

10. Ways proposed for dealing with these risks include making use of new advertising outlets for vacancy announcements (such as *The Economist* website); making all parties aware of the costs and ethical implications of special pleading; and, among other things, conducting workshops for advisers (and counterparts) on questions of capacity development, sound governance, corruption, equitable development, gender, and so on.

### Program Activities (formerly ‘core’)

11. Despite a backdrop for the reporting period of episodic violence and chronic lawlessness and political uncertainty, Program Activities are progressing satisfactorily (see Table 3). Such activities are either in the early stages of implementation, or preparation for implementation or (in a small minority of cases) well advanced in

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<sup>3</sup> See ECDPM (2007). *Joint Evaluation Study of Provision of Technical Assistance Personnel: What Can we Learn from Promising Experiences?* Maastricht, mimeo, pp. 67.

relation to the recruitment or selection of advisers and counterparts. Their institutional relocation within government should not impede such progress unduly.

12. Particularly noteworthy is the support now being provided to the Ministry of Finance (aid effectiveness) and the Ministry of Economic Development (workforce planning),<sup>4</sup> where a critical mass of international and national advisers has been appointed and is in place (or will soon be in place) and steady progress is being made in relation to the 'marketing', and the early stages of the establishment, of an adviser demographic database; workforce planning; and the improvement of adviser and counterpart productivity. Two of these activities experienced temporary set backs owing to the resignation for personal reasons of one international adviser and the resignation of another for health reasons.

13. The appointment of an international adviser to INAP, who will be joined soon by two more advisers, has provided, and will continue to provide, impetus and direction to the development and delivery by INAP of three training courses to accommodate the requirements of the Civil Service Act and to address the professional development needs of civil servants.

14. Support to INAP has helped the institution to produce reports on training courses to be delivered; the extent of assistance needed to do this; the harmonisation of donor assistance; and future staffing needs.

15. The drafting of regulations under the Civil Service Act – at NDPS – has proven to be a less than straight forward activity to manage however. The assessment by PSCDP of the work that has been done by its own advisers (novated contracts from ITC) is that it is not to a high standard and that the regulations that have been drafted are not suited to the development setting in which they will be applied. PSCDP's views on these matters, and the divergences of opinion, have been thoroughly discussed with the advisers concerned and with the Director of NDPS, and have been brought to the attention of the PMG. Adviser embeddedness has been an issue here – see below. After considerable time and effort, the situation was resolved in a constructive, cordial, and professional manner.

16. The new GoTL has since indicated that it will establish a Civil Service Commission and that the Civil Service Act will be reviewed. PSCDP is providing support to both of these activities and will continue to do so. It is likely that additional advisory support will be required in this area during the planning period.

17. Implementation of support to Sector Working Groups (when under NDPEAC) was delayed owing to the significant number of changes to the design and to the ToR instigated by the client, and the time taken to do this. Discussions are on-going with the Ministry of Economy and Development concerning the timing and nature of support to be provided in this area.

18. Likewise, support to Sector Investment Program up-dating, recruitment for which had begun in July, has been placed on indefinite hold following the new

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<sup>4</sup> Under the previous government this support was located at CDCU, which has since been abolished. New locations have yet to be formally approved by the new GoTL. Those suggested are based on the most recent advice received from government.



GoTL's decision to review its planning processes and medium term expenditure frameworks. At the direction of the new GoTL, work in this area may not commence until the second half of 2008.

### Additional Initiatives (formerly 'non-core')

19. Most activities in this category are progressing satisfactorily (see Table 4). For example:

- The Senior Management Adviser in the Office of the Prosecutor General (OPG) has helped to draft job descriptions and an organisational structure for the Office and to secure funding from AusAID for much-needed capital works for offices and residences of prosecutors in the districts.
- Also at the OPG, the Registry for Baucau, Oecussi, and Suai districts has been up-dated.
- A large number of laws and agreements have been drafted by advisers at the Council of Ministers (COM) and, following the appointment of the new GoTL, considerable drafting of organic laws and revision of legislation is being undertaken.
- Project management capabilities are being strengthened at the Ministry of Health (MOH) and Global Fund support to HIV/AIDS has been secured.
- Before its completion, the activity located in DNAS, drafted a number of policy guidelines and instructions on such matters as community water supply and sanitation and multi-village water supply systems.

20. For Additional Initiatives, issues include: a lack of evidence of significant capacity development taking place at the Ministry of Interior (MOI) and in some parts of the OPG; and procurement bottlenecks experienced by DNAS.

21. Following significant restructuring undertaken by the new GoTL, the future of support to the security sector (formerly under MOI) is under discussion with the Secretary of State for Security.

22. Evidence that difficult issues are being addressed by PSCDP and the Program Management Group (PMG) is to be found in the OPG, where the recommendation not to extend a contract of an adviser whose skills and experience did not match the requirements of the job has been endorsed (PMG meeting of 12 July 2007); and in NDPS, where a strict performance hurdle was inserted in the contract of another adviser, who has since resigned.

### Other Capacity Building Activities

23. **Dinner/seminars on selected development topics:** The first in a series of AusAID dinner/seminars – conducted through PSCDP - was held on 27 June at Hotel Timor. The topic of the presentation was '*Governance in Crisis?*' A second dinner/seminar was held on 1 September 2007, and a presentation was made on '*Justice in Societies in Transition: Lessons for Timor-Leste*'. These functions are designed to promote professional and social interaction among advisers and counterparts and synergy between AusAID-financed programs, and to encourage informed discussion of different aspects of development.

24. **Workshops on cross-cutting issues:** The first workshop in a series on capacity development was held on 2 August 2007. Conducted and sponsored by PSCDP, it is proposed to organise a number of such workshops for advisers (and, later, counterparts) on 'cross-cutting' themes, such as capacity development; gender; monitoring and evaluation; HIV/AIDS; and corruption. A second workshop on capacity development was held in mid-September and a workshop on HIV/AIDS was held in late September.

25. HIV/AIDS prevention posters and information brochures produced by the Ministry of Health were distributed to all PSCDP-supported activities in late July 2007.

26. **Senior management discussion forums:** Occasional (weekly or monthly) or *ad hoc* 'senior management discussion forums' designed to be of assistance to the Directors of the four key counterpart agencies were to have commenced in August<sup>5</sup> with CDCU and NDPS, but were put on hold following the appointment of the new GoTL. These meetings will be in addition to those already taking place that address matters associated with activities supported by the Program.

27. **Briefing note for the new GoTL:** During the month of July, the PSCDP was closely involved in the drafting of a briefing note on public sector management prepared by donors (led by the World Bank) for presentation to the new GoTL, and all PSCDP Program Activities were mentioned in it. This clearly constitutes strong endorsement of the centrality of Program Activities to sound governance and, in particular, to improvements in public sector management and performance. Most of the strategic directions proposed by the Program are consistent with - or the same as - those that have been adopted by the new GoTL.

28. In late August and September, the Program followed this up with the preparation of draft legislation for the establishment of a Civil Service Commission and a background briefing document on the policy and implementation issues involved.

### ADS Program

29. Final selections for the award of scholarships were made on schedule in February and the names of the twelve recipients were announced in local media in March 2007. All pre-departure and preparatory activities were carried out on schedule and in accordance with the official guidelines.

30. Despite the strains imposed on them and their families by the civil unrest in Timor-Leste, for the vast majority of ADS students in Australia, academic progress during the last six months has been satisfactory. In accordance with the guidelines, course variation requests have been processed on time and logistical assistance has been rendered to students' dependants.

### Australian Leadership Awards

31. PSCDP assumed responsibility for the Australian Leadership Awards (ALA), and the scheme was officially launched in Timor-Leste, in April 2007. Promotion of

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<sup>5</sup> Informal *ad hoc* meetings with key counterparts are – and have been – held frequently on day-to-day management and strategic management issues.

the awards commenced in May and applications closed on 31 July 2007. Only three completed applications were lodged. The main limiting factors on the number of applications received to date have been the short period available for promoting the awards this year; the requirement for applicants to possess an unconditional offer of admission to an Australian university; and the minimum IELTS score requirement of 6.5.

32. Short listing and selection interviewing for the ALA took place in August and September.

33. For both ALA and ADS, English language capability continues to be a critical factor in the determination of applicant eligibility.

### **Cross-Cutting Issues**

34. Cross-cutting issues such as sound governance, capacity development, gender, and sustainability are central to everything that the Program does. The Program will therefore do all that it can to improve its performance on these dimensions. This will include running workshops on these questions for all of its advisers (to date, three such workshops have been held); for some cross-cutting issues, displaying promotional materials in all PSCDP activity work sites (for example, on HIV/AIDS prevention and, possibly, anti-corruption); and examining the prospects for designing PSCDP activities that address some of them, particularly where it is possible to combine this with improvements to deconcentrated service delivery or other aspects of public sector management or sound governance.

### **Monitoring and Evaluation**

35. Summary data on PSCDP-managed activities and selected issues (sustainability and gender) are presented and discussed in Annex C. Among other things, Annex C provides useful direction to the capacity development of advisers, suggesting, for example, that in addition to capacity development their understanding of 'governance' and 'sustainable development' needs to be improved so that they are better able to see how their work bears on these matters.

### **Implementation Strategy and Planned Support**

36. To date, the implementation strategy has followed that set out in the first PSCDP Annual Plan and, as this is consistent with the development policy emphases of the new GoTL, this will continue (See Section 5.1, pp. 28-29 of PSCDP Annual Plan 2006-2007). The strategic directions set in the first PSCDP Annual Plan have been adhered to and are reflected clearly in Program Activities that have been implemented to date or are in the process of being implemented.

37. Prospects for taking a more proactive stance on certain Additional Initiatives will be examined, particularly (as suggested above) in relation to the improvement of deconcentrated service delivery in the main line ministries, such as education and health.

38. The marketing strategy adopted for the ADS and NZAID awards during the first year of the Program was extremely successful and will be repeated in 2007-8 (see PSCDP Annual Plan 2006-2007).

39. In 2007-2008, the marketing strategy for the ALA will address questions surrounding the requirement for applicants to have already obtained an unconditional offer of admission from an Australian university and English language capability.

**Work Plan and Financial Report**

40. These are set out in Annexes A and B respectively. Expenditure on Program Activities for the financial year 2007/8 is projected to be \$2.645 million (slightly more than 100% of available funds in this category), leaving no scope for financing new business in the 2007/8 financial year. This figure incorporates a certain amount of expansion of existing activities arising from discussions held with counterparts during August and September 2007.

41. For Additional Initiatives, expenditure is projected to be \$2.35 million (about 87% of available funds in this category), leaving hardly any room for expansion during the course of the planning period.

## Program Outline

42. The Public Sector Capacity Development Program commenced operations in July 2006. It is a 5 plus 5 year program financed by the Government of Australia through AusAID. The work of the Program is divided into four categories: Program Activities, Additional Initiatives, Australian Development Scholarships, and Australian Leadership Awards. Based on a fixed average expenditure per year, funds available annually for each category are as follows:

- Main program (**Program Activities**): \$2.5million (fully committed for 2007/8)
- **Additional Initiatives**: up to \$2.7million (about 87% committed for 2007/8)
- **Australian Development Scholarships** (ADS) program: \$2.5million (fixed limit)
- **Australian Leadership Awards**: about \$0.3 million (fixed limit)

## Program Management

43. The Program has two levels of management that sit immediately above it, a Program Management Group (PMG) (formerly comprising the Directors of CDCU, INAP, NDPEAC, & NDPS; & AusAID) and a Strategic Management Group (SMG) (formerly comprising the Public Sector Management Sector Working Group). The PMG appoints a PMG/ADS Committee to oversee the ADS program. Revised memberships for the PMG and SMG have yet to be decided by the new GoTL. However, possible memberships that accord with discussions held to date with the new GoTL are:

### **PSCDP Strategic Management Group:**

- Minister of Finance or nominee
- Minister of Economy and Development or nominee
- Minister of State Administration and Territorial Ordering or nominee

### **PSCDP Program Management Group:**

- Secretary of State for Administrative Reform
- Relevant Director from Ministry of Economy and Development
- Director of INAP
- Director in charge of External Assistance (Ministry of Finance)
- Relevant AusAID officer

44. The internal management of PSCDP comprises a core team of professionals made up of a Program Manager, four Program Advisers, and a Scholarships Manager. Working usually in pairs, and among other things, core team members are each responsible for a portfolio of activities.

## Program Activities

45. Program Activities are designed to have system-wide effects and entail a long-term commitment on the part of the Program.

46. In the light of discussions held with the new GoTL, the institutional locations of existing PSCDP support under this category are likely to be as set out below.

### **Ministry of Finance:**

- Adviser demographics (1 international adviser & 1 national adviser)

- Adviser management & effectiveness (1 international adviser & 1 national adviser)
- Monitoring and evaluation (initially donor activity only)

**Ministry of State and Administration and Territorial Ordering:**

- Establishment and operation of relevant offices (including a Civil Service Commission)
- Drafting and administration of Civil Service Act (1 international adviser)
- Drafting of procedural and implementation manuals and guidelines for the Civil Service Act (1 international adviser)
- Implementation of Civil Service Act guidelines and procedures
- Dissemination of civil service guidelines and procedures (training for 'corporate services groups' & awareness raising) (1 international adviser & 1 national counterpart)
- Curriculum development for civil service training and implementation of Civil Service Act (2 international advisers)

**Ministry of Economy and Development:**

- National workforce planning (1 international adviser, 2 international labour market researchers & 1 national adviser)
- SWG structural design and support to secretariats (1 international adviser & 1 national adviser)
- Support to development of medium term expenditure frameworks (through support to SWGs) (5 short-term consultants)

**Additional Initiatives**

47. Additional Initiatives can have more localised effects; be short-term or transitional; and permit high levels of response flexibility and speed of response.

48. In the light of discussions held with the new GoTL, the institutional locations of existing PSCDP support under this category are likely to be as set out below.

**Office of the Prosecutor General:**

- Senior management advisory support (1 international adviser)
- Capital works (budgetary support)
- Case registration (1 international adviser)
- Office administration (1 national adviser)

**Ministry of Infrastructure:**

- Policy and senior management advisory support (water and sanitation) (1 international part-time adviser)

**Ministry of Health:**

- Program management (Global Fund programs) (1 international adviser & 1 national translator/interpreter)
- Community nutrition (1 international adviser)
- English language (overseas training for a Director)

**Council of Ministers:**

- Legal drafting and review (3 international advisers)

**Ministry of Economy and Development:**

- Policy and legislative framework for protected areas network (environment) (twinning relationship)

**Ministry of Agriculture:**

- Food security policy and implementation (1 international adviser)

**Secretary of State for Security:**

- Senior management advisory support (1 international adviser)
- Office administration (1 national adviser)

**Future Activities**

49. Discussions with the new GoTL will be ongoing concerning its priorities and the Program's ability to support them. In the short term, limited scope for new programming falls under the Additional Initiatives category. Possibilities include support to:

- Deconcentration in the major service delivery line ministries (Health, Education, Agriculture, and Economy and Development – the latter in relation to the Ministry's responsibilities for rural development). In the new GoTL, the Ministers of Education, Health, and Economy and Development have all expressed strong commitment to deconcentration within their respective ministries.
- The strategic and operational management of ministries, including ministerial offices
- English language training centre
- Land titling and registration



## 1. Introduction

50. This is the second Annual Plan for PSCDP. It reports on progress over the period February to September 2007; expenditure over the period June 2006 - September 2007; and incorporates a work plan and financial projections for the period July 2007 – June 2008.

**51. Program mission and goal:** These remain as expressed in the PSCDP Annual Plan 2006-2007. The Head Contract places the goal of the Program before its mission, and describes it as follows: “*A sustainable and effective system of governance and public administration for the delivery of high quality public services*”. Most of these services are delivered in health, education, and agriculture. Together with income, these are the main drivers of Sustainable Human Development (SHD).

52. The mission of the Program is “*to strengthen the capacity building institutions and processes to build individual and institutional capacity in East Timor*”.

**53. Report structure:** The report is structured according to the main lines of Program business, namely: following a discussion of context, aid effectiveness, and risks, first, Program Activities (PA); second, Additional Initiatives (AI); third, other capacity building work; fourth, the ADS Program; and fifth, the Australian Leadership Awards (ALA). It also includes a one year work plan (Annex A), extending from July 2007 to June 2008; a financial report on expenditures and projections (Annex B), which up-dates data provided in the Provisional Annual Plan that was presented in July 2007; and summary data and discussion on monitoring and evaluation (Annex C).

**54. Planning process:** Meetings have been held with all relevant Ministers, Secretaries of State and other senior officials of the new Government of Timor-Leste concerning government priorities; the nature of existing Program support; institutional locations for such support; and possible future directions of PSCDP support. In some cases, several meetings have been held and formal presentations of Program activities have been or will be made (for example, on workforce planning to the Ministry of Economy and Development). Discussions concerning the matters just mentioned will continue. One consistent outcome of these discussions has been that the new GoTL is conscious of the need for it to have a reasonable settling-in period that will allow it to come to terms with development conditions and how best to implement the pro-poor policies it wishes to pursue at the level of projects and programs. During this settling-in period, the Program will continue to engage closely with counterparts with a view to developing a joint position that can be expressed and discussed at a workshop, probably early in the New Year. This workshop would precede the production in April 2008 of the Annual Plan 2008-2009. This approach is consistent with the very limited funds available for new PSCDP programming in the financial year 2007/8 (see Program Outline above and Section 7 below).

### 1.1 Governance Context

55. The past year has been characterised by episodic and sometimes serious civil disturbance in the capital, Dili, and by a pervasive atmosphere of chronic lawlessness (and hence transgressor impunity), and political uncertainty and discord. In March



2007, the security situation deteriorated to the point where it became necessary to evacuate all foreign Program personnel from the country for a period of 12 days.

56. However, for the most part, since then, the increased presence in the country of UN police and foreign defence force personnel combined with the gradual rebuilding of local security forces has reduced the scale and frequency of outbreaks of violence.

57. Both the presidential and parliamentary election periods were relatively peaceful and, following reportedly free and fair elections, a new government was formed in early August. Immediately following the announcement of the new GoTL, there were a number of violent protests in Dili involving arson and attacks against UN police. Dozens of UN vehicles were damaged by stoning. By mid-August, the security situation in Dili had been brought under control, but there were serious sporadic outbreaks of violence and arson elsewhere in the country, particularly in and around Viqueque and Baucau.

58. The governance context remains complex and decisions taken by the new GoTL already have had, or could have, significant ramifications for: the possible expansion of Program support (that is, requests for additional support); the continuity of the provision of some Program support; some counterpart positions; and some counterpart institutions. However, meetings held in August and September with Ministers of the new GoTL and other senior officials suggested that significant disruption to existing PSCDP support is unlikely, and to date there has been none. Likely changes to the institutional locations of Program activities are set out above, in the Program Outline.

### 1.1.1 Genesis of Post-Independence Conflict

59. AusAID is in the process of refining its strategies in relation to the provision of development assistance to fragile states. The need to differentiate between countries according to causes and triggers of conflict and emerging political conditions is an integral part of this work.

60. In line with this, an understanding of the genesis of the protracted period of civil disturbance in Timor-Leste since independence – particularly from early 2006 - is crucial to the prevention of further conflict and to development policy and management in the country in the short and medium terms, both at the national level and at the micro level of projects and programmes. Analysis should be informed by careful consideration of empirical findings and opinion concerning events in Timor-Leste and by the recent literature on conflict prevention and development management in other fragile<sup>6</sup> or post-conflict states. Accordingly, findings of recent

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<sup>6</sup> According to Patrick and Brown (2007), there is 'little coherence among (donor) agencies about what constitutes a fragile state' (see Patrick, S., & Brown, K. *Greater than the Sum of its Parts? Assessing 'Whole of Government' Approaches to Fragile States*. Washington, DC: Centre for Global Development, CGD Brief, 2007, pp. 4). We favour the Wikipedia definition which states, 'a fragile state is a state significantly susceptible to crisis in one or more of its sub-systems. (It is a state that is particularly vulnerable to internal and external shocks and domestic and international conflicts). In a fragile state, institutional arrangements embody and perhaps preserve the conditions of crisis: in economic terms, this could be institutions (importantly, property rights) that reinforce stagnation or low growth rates, or embody extreme inequality (in wealth, in access to land, in access to the means to make a living); in social terms institutions may embody extreme inequality or lack of access altogether to health or education; in political terms, institutions may entrench exclusionary coalitions in power (in ethnic, religious, or perhaps regional terms), or extreme factionalism or significantly fragmented security organisations.'

reports on the crisis in Timor-Leste, and other recent literature that analyses similar development issues in post-conflict or fragile states, are discussed below.

61. A recent study of the causes of the crisis in Timor-Leste<sup>7</sup> identifies the main ‘drivers’ of it as:

- Pronounced discord between leading political figures;
- Weak and politicized institutions of governance;
- Severe inadequacies in the justice system;
- The unavailability of valid and reliable sources of information;
- High levels of discontent among ordinary people – and high levels of overt aggression among young males - stemming largely from rural poverty and unemployment;
- Insecurities surrounding land tenure and property rights; and
- Ethnic tensions.

62. However, the USAID report makes little attempt to categorise or rank order these causes or to consider which of them may be more basic or underlying than the others, and it does not distinguish between causes and symptoms. Neither is there any discussion in the report of the question of ‘crisis and perspective’, that is, the likelihood that different segments and levels of society will have perceived the ‘crisis’ according to their experiences of development since independence, their interests, and resulting predispositions. Also, the findings and recommendations expressed in the report are not well-situated within the recent literature on fragile states.

63. The report’s confusion of causes and symptoms is illustrated by its discussion of the role of ethnicity in the crisis. Contrary to what is suggested in the report, ethnicity *per se* is rarely a cause of conflict.<sup>8</sup> Ethnic divisions are likely to become problematic and to crystallize only when there is severe competition over scarce or disputed resources such as food, land, employment and income opportunities. That is to say, it is not ethnic divisions *per se* that lead to conflict, but rather, other pressures, which cause social fissures along ethnic lines to appear. While ordinary people may well perceive the ‘crisis’ in ethnic terms, and be encouraged to do so by politically-motivated elites, its roots are more likely to be found in chronic rural poverty and scarcity combined with perceptions of – real or imagined or suggested – unfair distribution of national resources, that is, economic and social exclusion. The former President of the World Bank, James Wolfensohn agrees: “Research tells us that civil wars have often resulted not so much from ethnic diversity — the usual scapegoat — as from a mix of factors, in which poverty is a central ingredient...Our common goal must be to eradicate poverty, to promote inclusion and social justice, to bring the marginalized into the mainstream of the global economy and society.”<sup>9</sup>

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<sup>7</sup> USAID (2006). *The Crisis in Timor-Leste: Causes, Consequences and Options for Conflict Management and Mitigation*. Dili: mimeo, pp. 66.

<sup>8</sup> Referring to Zaire, Omamo (1995) notes: “It (is) a familiar story – ethnic groups clash in civil war in Africa – but in Zaire, indeed in most of Africa, that story bears little relation to reality. In fact, if ethnic differences alone were sufficient to breed violence, the entire continent would constantly be at war, and most of Africa is at peace. The problem in Zaire is poverty, poverty brought on by 30 years of misrule” – see Omamo, S.W. (1995). *The Peaceful Continent – Poverty, not Ethnicity, Drives Conflict in Zaire*. San Francisco: Jinn Magazine.

<sup>9</sup> See Wolfensohn, J. (2001). *Rich Nations Can Remove World Poverty as a Source of Conflict*. International Herald Tribune, Saturday, 6 October, 2001. Findings from recent research conducted in Sri Lanka reach a similar conclusion: “Ethnicity may be seen as an intervening variable that amplifies the interaction between poverty and conflict. Ethnicity is the lens through which affected populations understand their overall suffering, articulate collective grievances, and work out their individual and collective responses and coping strategies” (Korf & Silva,

64. Moreover, deprivation combined with perceptions of government partiality and/or venality heightens uncertainty and fears surrounding prized possessions, such as land and property. Government's seeming inability to improve matters, or worse, a seeming lack of concern on the part of government about them, creates the conditions for radical dissent and political opportunism, support for which can be harnessed most easily in terms of ethnic affiliations. In such circumstances, high hopes following independence that rapid and equitable development will occur are quickly dashed and disillusionment and resentment follow soon thereafter, providing fertile ground for spontaneous civil unrest or for the incitement of civil disobedience.<sup>10</sup>

65. On the other hand, at the apex of society, among the political leadership, the 'crisis' may be perceived more in terms of the waxing and waning of opportunities for the acquisition of power and control that it affords, particularly over natural resources.<sup>11</sup> Uncontroversially, discord among political leaders is simply a reflection of this, and is to be expected. It is not so much a cause of 'the' crisis as a corollary or symptom of unsound governance. Perceived or actual failure on the part of one government creates opportunities for other political interests. Discord or conflict over power and control and resources ensues. Unsound governance is therefore a first tier cause.

66. Distinctions also need to be drawn between 'triggers' of violence or unrest, and causes.

67. This brief analysis suggests a cycle of events in Timor-Leste something like the following:

- Chronic, widespread, and severe poverty affecting the mass of the population, but with marked regional disparities
- High expectations among ordinary people everywhere of rapid poverty reduction and development following independence
- Perceptions that government is failing to fulfil expectations; combined with rumours of elite enrichment, political and ethnic partiality, and so on
- Poverty and unemployment do not improve, or worsen, and other problems become apparent (e.g., inter-regional disparities; and threats to land tenure)
- The social strains of poverty and unemployment, combined with perceptions of government partiality and failure, lead to perceptions of social exclusion<sup>12</sup> along ethnic lines<sup>13</sup>

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2003, p. 17 – see Korf, B., & Silva, K.T. (2003). *Poverty, Ethnicity and Conflict in Sri Lanka*. University of Manchester Conference Paper, pp. 22).

<sup>10</sup> Collier (2000) makes a similar point when he refers to the importance of 'reducing the willingness of the population to support those...' who seek to misuse 'natural resource rents' (government income) by improving equitable development – see Collier, P. *Policy for Post-conflict Societies: Reducing the Risks of Renewed Conflict*. Washington DC: World Bank, mimeo, pp. 12.

<sup>11</sup> Collier (2000) argues that such tendencies are pronounced where there is a high level of 'natural resource dependence' (such as oil) in the economy and that such 'effects are even stronger in post-conflict societies' (p. 6).

<sup>12</sup> Rodgers *et al.* (1995) define social exclusion as 'a way of analysing how and why individuals and groups fail to have access to or benefit from the possibilities offered by societies and economies' (p. 44) – see Rodgers, G., *et al.* (1995) (eds.). *Social exclusion: Rhetoric, Reality, Responses*. Geneva: International Labour Organisation.

<sup>13</sup> Similar arguments have been made in relation to Tibet: "it is possible to see contemporary interethnic conflict in Tibet...as in part a defensive reaction to (social) exclusion..." see Fischer, A.M. (2004). *Urban Fault Lines in Shangri-La: Population and Economic Foundations of Inter-Ethnic Conflict in the Tibetan Areas of Western China*. London: Development Studies Institute, London School of Economics, mimeo, pp. 35.

- Such ethnic divisions are sharpened and crystallized by a number of ‘triggers’ (one involving the army) that lead to serious civil disturbance
- Government is unable to cope with the violence and requests and receives outside assistance
- Political discord is heightened by the opportunities created for acquiring political power and control over resources

### 1.1.2 Peace-Building and Development Management

68. As in other fragile states, breaking the cycle of deprivation, social exclusion, and conflict in Timor-Leste requires sound governance that is able to deliver:

- Safety and security for all citizens, and the establishment of the rule of law
- Emergency humanitarian and social services to those genuinely in need
- Economic stability and equitable development
- Physical infrastructure, whose construction is labour-intensive and thereby creates jobs
- Justice for all and reconciliation
- Conditions that allow all citizens to earn a decent living and to receive basic services in health, education and livelihoods (mainly agriculture)

69. These are the basic ingredients of sound governance in fragile states or in post-conflict settings.<sup>14</sup> They are also the means for addressing quickly and equitably long-lasting, severe and widespread poverty, and perceptions of social exclusion. This view is widely endorsed in the development literature. For example, Rondinelli (2006) argues that ‘effective reconstruction requires governments to create a strong state quickly and in such a fashion as to strengthen the capability of the governing authority, not only to provide security, eliminate violent conflict, protect human rights, generate economic opportunities, but also to extend basic services, control corruption, respond effectively to emergencies, and combat poverty and inequality’ (p. 8). Sachs (2005) stresses that: “The key problem for the poorest countries is that poverty itself can become a trap. When poverty is very extreme (as it is in Timor-Leste), the poor do not have the ability – by themselves – to get out of the mess” (p. 56) (parentheses added). Moreover, “as a general proposition, economic failure – an economy stuck in a poverty trap... - often leads to (or perpetuates) state failure as well” (Sachs, 2005, p. 332) (parentheses added).<sup>15</sup>

70. In this scenario, the three main causes of the ‘crisis’ in Timor-Leste are:

- Chronic, widespread, severe, and in some places worsening rural poverty;
- Feelings of economic and social exclusion arising from poverty and perceptions of government partiality and venality; combined with accelerated

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<sup>14</sup> While PSCDP has an existing interest in the justice sector (OPG), AusAID is soon to mount a separate project in law and justice and it also provides considerable financing to UNDP in this area. The needs of this sector – which include *inter alia* human resources (complicated enormously by language policy – Portuguese versus Tetum and/or Bahasa Indonesia) and infrastructure; improved systems of management (particularly budget execution); the redevelopment and restructuring of the local police force; and the resolution of Commission of Enquiry cases – are therefore not addressed in this document.

<sup>15</sup> See Sachs, J. (2005), *The End of Poverty: How we can make it happen in our Lifetime*. London: Penguin. Collier et al. (2006) also stress the importance of economic variables in the prevention of conflict and the reduction of post-conflict risk: “other things being equal, international post-conflict efforts should be concentrated disproportionately in the poorest countries, and should focus heavily on economic recovery” (p. 10) – see Collier, P., Hoeffler, A., & Sonderbom, M. (2006). *Post-Conflict Risks*. Oxford: University of Oxford, Department of Economics Working Paper: mimeo, pp. 19.

rural-urban drift (particularly disaffected, unemployed youth); and insecurity of land tenure; and

- Unsound governance (weak and politicised institutions, including the legal and judicial systems; insufficient sources of valid and comprehensive information; and so on), which is perceived to have failed to address sufficiently or impartially poverty, employment and land tenure.<sup>16</sup>

71. In many ways, however, these three conditions are entwined, each feeding off the other. They may also be seen as both causing and comprising ‘the’ crisis. This is also a view that is well-supported in the literature. For example, in his analysis of post-conflict Rwanda, Musoni (2003) argues that “the relationship between conflict and poverty is a dual one. Poverty is a cause of conflict but conflict in itself is a major cause of poverty” (p. 5).<sup>17</sup> Sachs (2005) makes a similar point when he says: “State failure and economic failure can chase each other in a dizzying and terrifying spiral of instability” (p. 60). Finally, a study by Ropers (2002) refers to ‘poverty and inequity – (as) factors which can both generate and exacerbate conflicts’ (p. 27).<sup>18</sup>

72. This combination can create a vicious circle comprising: unsound governance → poverty and social and economic exclusion → conflict → unsound governance, and so on. However, sound governance is the *sine qua non* of improvement and of breaking the cycle of deprivation and conflict,<sup>19</sup> supplying both necessary and sufficient conditions for poverty reduction and for rectifying perceptions of social exclusion. It is the foundation or starting point. While this is a familiar conclusion, it is no less valid for it and, again, both sides of the ‘coin’ (sound governance and poverty reduction) are well-supported by comparative analysis: Collier (2000), for example, observes that in developing policies for reducing the risk of renewed conflict, ‘both post-conflict countries and the international community...should naturally focus upon a reduction in poverty’ (p. 2). More recently, Chauvet and Collier (2007), and on the basis of substantial empirical evidence, have stressed that ‘empirically the combination of poverty and stagnation substantially increase proneness to civil war’ (p. 2).<sup>20</sup> Collier also stresses the importance to conflict prevention of creating ‘alternative economic opportunities (employment)’, especially for young men. These are all governance tasks.

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<sup>16</sup> We of course recognise that ‘economies stuck in a poverty trap’ are there for many reasons, only some of which have to do with the quality of state governance. In many cases it is international or global economic forces that erect the greatest barriers to progress - see, for example, Stiglitz, J.E. (2002). *Globalization and its Discontents*. London: Penguin. Such economic forces lie well beyond the influence of small or fragile states - see, for example, Oxfam (2007a). *Signing Away the Future: How Trade and Investment Agreements between Rich and Poor Countries Undermine Development*. Oxford: Oxfam Briefing Paper, pp. 46. Susceptibility to global economic forces also varies according to the structure of state economies and other factors. Iraq is an extreme case in point, both in so far as the causes of its dramatically deteriorating humanitarian and economic conditions are concerned (where outside intervention has been the major cause) and in so far as worsening poverty is fuelling the perpetuation and escalation of civil conflict - see Oxfam (2007b). *Rising to the Humanitarian Challenge in Iraq*. Oxford: Oxfam Briefing Paper, pp. 40.

<sup>17</sup> Musoni, P. (2003). *Innovations in Governance and Public Administration for Poverty Reduction in Post-Conflict Countries in a Globalised World*. UNDESA, mimeo, pp. 33.

<sup>18</sup> See Ropers, N. (2002). *Peace-Building, Crisis Prevention, and Conflict Management*. Eschborn: GTZ, mimeo, pp. 83.

<sup>19</sup> USAID (2005) is emphatic about this: ‘Weak governance...is usually at the heart of (state) fragility’ (p. 17). See footnote 1 for full reference.

<sup>20</sup> See Chauvet, L., & Collier, P. (2007). *What are the Preconditions for Turnarounds in Failing States?* Oxford: Oxford University, Department of Economics, mimeo, pp. 19. We do not regard Timor-Leste as a ‘failing’ state, but the conditions referred to are to be avoided nevertheless.

73. Other prominent writers on development concur: for example, in relation to the urgency of service delivery in post-conflict settings, Rondinelli (2006) states, ‘In order to succeed, proposed changes have to focus on increasing the capacity of public administration to perform those roles and functions that are most urgent during a five to ten year period of reconstruction’ (p. 7).<sup>21</sup> UNDP makes a similar point, ‘in post-conflict situations...establishing some form of credibly representative government that can provide essential services is increasingly seen as an essential part of the first stages of post-conflict reconstruction’ (quoted in Rondinelli, 2006, p. 7).

### 1.1.3 Poverty in Timor-Leste

74. Poverty is a function of many things, but its three primary ingredients are: (1) poor health; (2) a lack of education; and (3) low income. When these factors occur together, as they often do, their (negative) combination is more than the sum of the individual parts.

75. This is the situation in Timor-Leste, which is confirmed by the following:<sup>22</sup>

- Income levels in Timor-Leste are among the lowest in the world – average *per capita* GDP of US\$732 compared to \$5,100 in East Asia and the Pacific. The majority (more than 75%) of poor people in Timor-Leste are employed in subsistence agriculture.
- The poverty line in Timor-Leste is set very low – at \$0.55 *per capita* per day. At this rate, 40% of people are poor, but this is clearly a conservative estimate of the amount of real poverty. There are significant differences between the three regions in the country.
- Poor health is a major cause of poverty. Life expectancy is 55.5 as compared to 70.5 in East Asia and the Pacific. Malaria and dengue fever are endemic; TB is a major problem as is HIV/AIDS prevention. Infant and maternal mortality rates are among the highest in the world. A high proportion of children die of malnutrition.
- The cycle of poverty, ill health, and high health care expenditure by households can cripple families economically.
- The poor are less likely to know about good health habits and hygiene.
- Poverty rates are higher where household heads have had no or little education.
- Adult literacy rates are extremely low – 50.1% compared to 90.4% for East Asia and the Pacific – and between 10% and 30% of primary school-age children are not in school. Low school attendance is a concomitant of poverty.
- Women in Timor-Leste do not enjoy equal access to education, paid employment, land ownership or other property rights. Women also suffer from poor to non-existent reproductive health services. They are generally in a disadvantaged position in both family and society.
- The incidence of gender-based violence in the home is high and victims ‘find it difficult to achieve justice, through either formal or traditional mechanisms’ (UNDP, 2006, p. 16).
- Protein energy malnutrition affects a high proportion of women.
- Many women suffer from iron deficiency anaemia.
- A high proportion of agricultural labour is in the hands of women.

<sup>21</sup> See Rondinelli, D. (2006). *Reforming Public Administration in Post-Conflict Societies: Implications for International Assistance*. Washington DC: USAID, pp. 39.

<sup>22</sup> Source: UNDP (2006). *Human Development Report 2006 Timor-Leste*. Dili: UNDP, pp. 87.

76. Even with the ‘softer’ Millennium Development Goals (MDGs) for Timor-Leste advocated by UNDP (2006), the country faces a stiff challenge in achieving the main targets by 2015<sup>23</sup> (Timor-Leste-specific targets taken from UNDP, 2006):

- *Goal 1: Eradicate extreme poverty and hunger* (reduce to about 15% of the population living below the poverty line)
- *Goal 2: Achieve universal primary education* (achievable)
- *Goal 3: Promote gender equality and the empowerment of women*
- *Goal 4: Reduce child mortality* to less than 56 deaths per 1,000 live births for the under-five population
- *Goal 5: Improve maternal health* by decreasing the maternal mortality rate by 30% (from about 420 to 800 deaths per 100,000 live births)
- *Goal 6: Combat HIV/AIDS, malaria and other diseases* (reduce TB mortality by 90% and treat 90% of detected cases)
- *Goal 7: Ensure environmental sustainability* by providing clean water to 86% of the urban population and 75% of the rural population

### 1.1.4 PSCDP Strategy

77. There are four main spheres of possible remedial action: political; economic; social; and security.<sup>24</sup> Within the economic and social domains, the literature suggests that in the early stages of post-conflict recovery – similar to those facing Timor-Leste now – the following programmatic options should be pursued;

- **Economic 1:** Revive the economy, with particular attention being given to basic infrastructure, job creation, income generation, early market reform, and natural resources management.
- **Economic 2:** Distribute seeds, fertilizers, and tools; provide related training, and rehabilitate small, feeder rural roads.
- **Economic 3:** Ensure the transparent management of resources.
- **Social 1:** Reintegrate or settle IDPs into viable communities.
- **Social 2:** Establish basic health and education services, with particular attention to previously underserved populations.

78. Within the political and security domains, experience from other countries suggests the following programmatic emphases:

- **Political 1:** Support transitional justice, governance arrangements at all levels, as well as transitional elections and political processes.
- **Political 2:** Advance national dialogue and the reconstitution of society.
- **Political 3:** Support the establishment of a functional national government, as well as sub-national and local-level governance entities (for example, through deconcentration).
- **Political 4:** Build an independent media, improve access to information, and promote authentic peace and reconciliation.
- **Security 1:** Establish public security; reintegrate ex-combatants; and establish proper oversight and community-level policing.
- **Security 2:** Protect human rights.

79. PSCDP already gives significant attention to aspects of Political 1 and 3, and Social 2 above, some of which (potentially) have important short-term pay-offs for

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<sup>23</sup> The MDGs form an important part of the Australian Government’s White Paper.

<sup>24</sup> Following, in particular, USAID (2005) – see footnote 1 for full reference.



sound governance and for poverty reduction, while others have an indirect and medium to long term pay-off. Even so, as argued in the Program's first Annual Plan, greater attention clearly deserves to be given to aspects of public sector management that have a more direct and immediate connection with poverty reduction and rectifying perceptions of social exclusion, that is, policies and actions that can yield significant development benefits for the mass of the people in the short term.<sup>25</sup> This direction is consistent with the development policy emphases of the new Government of Timor-Leste.

80. Existing PSCDP Program Activities and their relationship to poverty reduction and combating perceptions of social exclusion are set out in Table 1 below.

<b>Table 1: Existing PSCDP Program Activities and Impact on Poverty Reduction and Perceptions of Social Exclusion</b>				
<b>Activity</b>	<b>Potential Impact on Poverty Reduction</b>	<b>Potential Impact on Perceptions of Social Exclusion</b>	<b>Progress</b>	<b>Comment</b>
1. Drafting of Civil Service Act and implementing procedures and guidelines	Significant short term but indirect - owing to system-wide implications for performance improvement	Significant short term and direct - to the extent that merit-based, impartial procedures are employed and codes of conduct are observed	New GoTL has decided to revise the civil service act and to establish a public service commission	PSCDP produced a draft civil service act for government's consideration during September
2. Professional development of main counterparts	Marginal and medium to long term	None	Significant	Much will depend on career path of individuals within the public sector
3. Dissemination of Civil Service Act and procedures	As for (1) above	As for (1) above	As for (1) above	As for (1) above
4. Implementation of Civil Service Act	As for (1) above	As for (1) above	As for (1) above	As for (1) above
5. Adviser demographic database	Short-term, indirect and direct; significant pockets of potential influence	Marginal	Early stages of implementation	Its influence will vary according to the extent that the targeting of adviser support is affected

<sup>25</sup> The special needs created by the post-conflict development context of Timor-Leste, our own experience, and the latest development thinking draw attention to the 'big five' development interventions identified by Sachs (2005) and others, namely: agricultural inputs; investments in basic health; investments in education; power, transport and communication services; and safe drinking water and sanitation. As indicated in Tables 1 and 2, a number of Program Activities and Additional Initiatives already being undertaken by PSCDP, or planned, address some of these matters directly or indirectly and could be developed in ways that help more directly to achieve poverty-reducing downstream results quickly. Similar arguments have been put in relation to conflict prevention in places such as post-tsunami Aceh where, as in Timor-Leste, social exclusion-based conflict coexisted with infrastructural and institutional devastation – see Pilbrow, M., Blunt, P. & Janssen, G. (2005). *Post-Tsunami Australian Support to Local Governance in Aceh, Indonesia: The Neediest First*. Canberra: AusAID, mimeo.



<b>Table 1: Existing PSCDP Program Activities and Impact on Poverty Reduction and Perceptions of Social Exclusion</b>				
<b>Activity</b>	<b>Potential Impact on Poverty Reduction</b>	<b>Potential Impact on Perceptions of Social Exclusion</b>	<b>Progress</b>	<b>Comment</b>
6. Adviser effectiveness	Short-term, indirect and direct, significant pockets of potential influence	Short-term, indirect and direct, significant pockets of potential influence	Early stages of implementation	This is clearly crucial to public sector performance
7. Sector Working Group support	Significant short term and reasonably direct – SWGs that have been targeted are central to poverty reduction	Significant short term and reasonably direct	Not yet begun	To the extent that planning and – more importantly – implementation is improved, this could have a significant impact in both areas
8. Workforce planning	Significant, short-term and direct	Significant, short-term and direct, particularly if merit-based employment is applied	Early stages of implementation	Crucial to both areas, particularly in post-conflict settings
9. Medium term expenditure frameworks	Significant short term and reasonably direct -	Significant short term and reasonably direct	Should be completed before the end of 2008	Particularly to the extent that it affects access to justice and property rights

81. Existing PSCDP Additional Initiatives and their relationship to poverty reduction and combating perceptions of social exclusion are set out in Table 2 below.

<b>Table 2: Existing PSCDP Additional Initiatives and Impact on Poverty Reduction and Perceptions of Social Exclusion</b>				
<b>Activity</b>	<b>Potential Impact on Poverty Reduction</b>	<b>Potential Impact on Perceptions of Social Exclusion</b>	<b>Progress</b>	<b>Comment</b>
1. Institutional strengthening MOI – now Secretary of State for Security	None	None to date owing to limited progress, but this area is crucial to perceptions of social exclusion	Little tangible progress	Possible, although re-allocation of ministry responsibilities under the new GoTL complicates the assessment
2. Support to OPG	Some, short-term and direct – to the extent that property rights are	Significant, direct and short term	Gathering momentum	Equality before the law; access to justice; and application of law

<b>Table 2: Existing PSCDP Additional Initiatives and Impact on Poverty Reduction and Perceptions of Social Exclusion</b>				
<b>Activity</b>	<b>Potential Impact on Poverty Reduction</b>	<b>Potential Impact on Perceptions of Social Exclusion</b>	<b>Progress</b>	<b>Comment</b>
	protected and disputes are settled through equal access to, and treatment under, the law			are all vital to combating perceptions of social exclusion
3. Policy advice – water	Significant, short-term direct	Significant, short-term direct	Difficult to assess, but some evidence of advice being implemented	Crucial to both areas
4. MOH – HIV/AIDS and malaria	Significant, short-term direct	Significant, short-term direct	Significant progress in terms of securing Global Fund support	Crucial to both areas
5. MOH – community nutrition	Significant, short-term direct	Significant, short-term direct	Early stages of implementation	Crucial to both areas
6. Council of Ministers	Significant, direct and indirect, short-term	Significant, direct and indirect, short-term	Ongoing	Difficult to tell to what extent the role can exert the type of influence necessary
7. Protected area – national park	None	None	Tendering stage	In discussion with Ministry of Economy and Development
8. World Bank leadership and communication	Minor, indirect – owing to nature of training	Minor, indirect – owing to nature of training	Early stages of implementation	Issues associated with the areas in question are not part of the training and development programme
9. Food security	Significant, short-term direct	Significant, short-term direct	Adviser recently appointed	Crucial to both areas

82. It is clear from Tables 1 and 2 above that the PSCDP activities that have the potential to exert a direct and immediate impact on poverty reduction and perceptions of social exclusion are to be found among both Program Activities and Additional Initiatives. Consideration will be given to providing further support to these areas.

83. In addition, to the extent possible within the Program design, the Program will continue to give careful consideration to finding ways of addressing public sector management and other aspects of governance that bear as directly as possible on major causes of the crisis, namely, chronic poverty reduction and perceptions of economic and social exclusion. Issues surrounding the deconcentrated delivery of services in health and education and agriculture, and questions surrounding land

tenure and land boundaries, stand out as deserving of attention.<sup>26</sup> Aspects of deconcentration (particularly in education, health, and agriculture), which could contribute directly to poverty alleviation and to correcting perceptions of social exclusion, are particularly important. All of these avenues for PSCDP support will be explored during the planning period. Some of this work has already begun.

## 1.2 Technical Assistance and Aid Effectiveness

84. Effective aid and technical assistance (TA)<sup>27</sup> are clearly crucial to post-conflict reconstruction, peace-building, and sound development management. PSCDP support to improving adviser productivity (discussed above in Table 1 and below in Table 3) constitutes tangible evidence that the Program is trying to do something about it. This section analyses the extent to which a number of other aspects of technical assistance and aid effectiveness discussed in the recent development literature have been taken into account by PSCDP. It also considers how questions of aid effectiveness might be brought to bear on Australian development assistance to Timor-Leste more generally.

85. PSCDP's first Annual Plan states that 'the second Annual Plan for the Program will...draw on recent, comparative experience of improving aid effectiveness in fragile states' (paragraph 117, p. 28). Such discussion follows.

### 1.2.1 PSCDP Support

86. Recent studies of aid effectiveness in post-conflict and other development settings make a number of recommendations for optimising the benefits of TA. Below, we demonstrate the extent to which PSCDP is abreast of or ahead of the 'game' in these respects, that is, the degree to which PSCDP has anticipated the recommendations arising from these studies and how, in some cases, it has progressed beyond them. For example, recommendations for TA management made by the European Centre for Development Policy Management (ECDPM) (2007)<sup>28</sup> include (pp. ix-xi):

- *'Host governments need to strengthen their capacity for workforce planning and human resource management...External partners have a role to play in supporting such efforts'*. Since early 2007, PSCDP has been supporting a workforce planning activity in CDCU, and several activities concerned with

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<sup>26</sup> This strategy is recommended explicitly by USAID (2005): 'Address the sources of stress and conflict in the political, economic and social spheres' and 'build the capacity of institutions that serve key social and economic sectors – such as those providing healthcare, education, and financial services' (p. 5). See footnote 1 for full reference.

<sup>27</sup> In development circles, for some time, TA has been a 'soft' target and convenient scapegoat for analysts who are interested in explaining the less than impressive performance of much development assistance. But many of the critiques are themselves weak on argument and evidence and their recommendations for improvement frequently border on, at best, the well-known and commonsensical or, at worst, the banal. For example, three 'key principles... that respond to some of the constraints to effective TA' are said by Morgan (2002) to be: (1) 'the restructuring of organisational relationships to encourage country ownership'; (2) 'the reduction of the fragmentation of development interventions'; (3) 'the encouragement of more trust and collective action among all the participants' (p. 17). Morgan concludes that 'the heart of the matter (TA's success) is its (TA's) purpose, design, context, selection and mode of provision – in short its modernisation and creative deployment' – see Morgan, P. (2002). *Technical Assistance: Correcting the Precedents. Development Policy Journal (of P. Morgan)*, December 2002, pp. 22. In saying this, Morgan goes full circle, from an initial position that 'TA has had a pattern of poor performance now well documented and labelled "corrosive" by UNDP' (p. 5) to a conclusion that states that TA *per se* is not such a bad thing after all, it just depends on how well it is done – in terms that are the standard fare of management text books. We agree with this unsurprising conclusion.

<sup>28</sup> See ECDPM (2007) *Joint Evaluation Study of Provision of technical Assistance Personnel: What can we learn from Promising Experiences?* Maastricht, mimeo, pp. 67.

different aspects of human resource management - in NDPS, INAP and CDCU. The progress of these activities is discussed elsewhere in this document.

- *'Donors and partner countries should work together towards transferring responsibility for TA management in line with the spirit of the Paris Declaration...In so doing, there is need for pragmatism in adapting management arrangements to realities on the ground and to follow a gradual approach'*. PSCDP is well advanced in these respects, having established an activity with government that encourages government and donors to come to grips collectively with the adviser presence in order to improve productivity, enhance government involvement and ownership, and to promote economies of scale and other efficiencies. With PSCDP support, GoTL is considering how best to proceed in relation to the possible establishment of an aid effectiveness unit, which would be one of the first such units to be established anywhere. Recognising the sensitivities involved, the 'marketing' plan that has been developed for this activity is pragmatic and cautious.
- *'Improve selection and recruitment under country leadership'*. In PSCDP's Provisional Annual Plan 2007-2008, and below, we draw attention to the importance of recruitment in the appointment of advisers, noting that selection ratios and the quality of pools of qualified applicants need to be improved, and setting out a number of ways in which this will be addressed. As a matter of course, government officials are included in all phases of job design, recruitment, and selection and have been since the inception of the Program. All TA positions report first and foremost to a government counterpart.
- *'The quality of personnel deployed. Country respondents consistently underline the importance of the substantive skills and knowledge that TA personnel bring'*. Again, this is something that was emphasised in the PSCDP Provisional Annual Plan 2007-2008. It is reiterated below under 'risks,' and ways of improving adviser quality are in the process of being implemented. In recruitment and selection, the Program assigns paramount importance to the technical capabilities, qualifications and experience of applicants. As with all aspects of Program management, this is a matter that is subject to continuous improvement.
- *'The quality of programme (and activity) design, including appreciation of external context (sector dynamics, reform readiness), avoiding over-design, and adopting flexible approaches.'* The PSCDP facility itself has a significant degree of flexibility built-in to it, particularly where Additional Initiatives are concerned. There is less room for manoeuvre in Program Activities, where target institutions have been defined in the PSCDP design document. Even so, Program Activities that are in the process of being implemented have been self-consciously designed with flexibility in mind and already are showing – and being encouraged to show – signs of evolution and change, as circumstances unfold and knowledge improves. Program planning is based partly on careful and up-to-date assessments of the governance context that draw on a critical review of the best available research reports and the Program's own interpretation of political currents and events.
- *'There are clearly situations where national TAs are preferable to international, but in others a combination of the two adds considerable value'*. PSCDP is well advanced in all of these respects, and has developed the general idea further through appointing under the Program integrated groups of international, national, and local counterparts. The Program also actively

encourages activity and program cross-fertilisation and has established formal means that encourage these things to happen (see Section 2.3 below).

- *'If TA personnel are to focus on capacity development, then appropriate performance indicators...are required'*. All ToR for TA positions, work plans and reports, and Program monitoring and evaluation tools contain or gather information on capacity development and other cross-cutting themes such as gender, equitable development, and sound governance.
- *'Engage in strategic dialogue. The issues of TA personnel should be discussed in high level forums between country stakeholders and external partners. It should be treated as a strategic issue integral to discussion on aid effectiveness, capacity development and public service reform, and as an item for mutual accountability'*. In July 2007, the Director of CDCU presented to a Timor-Leste Donor Group meeting the rationale underlying a PSCDP-supported activity designed to establish a demographic database on all TA personnel in the country, which will pave the way for the TA productivity improvement activity mentioned in the second dot point above. The presentation argued a case for the strategic significance of such an enterprise to aid effectiveness and was set against the backdrop of the Paris Declaration. The presentation was well-received by the Donor Group meeting. It is planned to make a number of such presentations on PSCDP-supported activities, thereby enhancing 'strategic dialogue' between government and the donor community.
- *'Develop an agreed monitoring and evaluation framework'*. Together with the Program's Monitoring and Review Group (MRG) PSCDP has devoted considerable time and effort to establishing a system of monitoring and evaluation (M&E) that produces useful information at reasonable cost (see Annex C), and there is room for further improvements in these respects. Through its activities, the Program will encourage others in government and in the donor community to consider the benefits of M&E simplification and standardisation. AusAID has the opportunity to take the lead in this by requiring such standardisation and simplification of M&E across all of its programs in Timor-Leste.

87. The findings and recommendations of other recent reports on capacity development and TA in Timor-Leste<sup>29</sup> and in the region are consistent with those set out above. Among other things, these reports mention the importance of<sup>30</sup>: clear definition of development terms; long term over short term engagement; short term 'wins'; taking account of absorptive capacity in activity design; clear political support as a necessary condition for policy change; avoiding 'perverse' incentives sometimes associated with M&E; partner country involvement in activity performance assessment or review; pre-departure training; joint Australia-partner government TA selection; training for counterparts; continuous learning; and strengthening the capacity of capacity builders themselves. Discussion above and below demonstrates

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<sup>29</sup> See, for example, OECD (2005). *Senior Level Forum on Development Effectiveness in Fragile States: Harmonisation and Alignment*. Overseas Development Institute: London, pp. 59; Australian Government (2007). *Public Sector Capacity Development in Papua New Guinea and the Pacific: An Australian Whole of Government Approach*. Canberra: mimeo, pp. 27; Australian Government (2007). *Technical Assistance and Capacity Building (Timor-Leste) Discussion Paper*. Canberra: mimeo, pp. 16; and ECDPM (2007). *Technical Assistance Personnel in the Solomon Islands: What Can we Learn from the RAMSI Experience?* Maastricht: mimeo, pp. 68.

<sup>30</sup> There is little in this that is not well-known and well-worn.

that PSCDP is actively addressing all of these issues in the activities it supports and in the ways that it operates.

### 1.2.2 Australian Development Assistance to Timor-Leste

88. Partly as a corollary to the above, and with a view to improving aid effectiveness, AusAID has requested that PSCDP propose a means for the provision of strategic management services and policy advice to AusAID concerning different aspects of Australian development assistance to Timor-Leste. The proposals set out below attempt to do this. They adopt the conventional 'strategy-structure' logic. That is to say, first, the broad intention described above is converted into a number of strategic objectives (what it is envisaged that AusAID wants to achieve) and then, second, a structural means for achieving these objectives is suggested.

89. **Strategic objectives:** The provision to AusAID of a range of strategic management services and policy advice concerning all or some of:

- a. The structure of development assistance within and between sectors, including the relative positioning up-stream and down-stream of such assistance
- b. The extent to which development assistance is consistent with the AusAID Country Strategy and the Government of Australia's White Paper;
- c. The merits of increases (or decreases) of development assistance and the timing of such increases (or decreases);
- d. The structure and content of the AusAID Country Strategy for Timor-Leste;
- e. Modes of execution and implementation for development assistance;
- f. Development assistance harmonisation and alignment;
- g. Other aspects of development effectiveness, such as programme/project design and programme management;
- h. The merits of *ad hoc* requests for development assistance received by AusAID in Timor-Leste;
- i. Inter-programme activities among (stand-alone) AusAID-financed development assistance programmes and projects – for example, concerning cross-cutting issues such as anti-corruption and sound governance;
- j. The design and/or evaluation of programmes and/or projects;
- k. The identification of new initiatives, and the production of concept notes and proposals concerning them;
- l. The management of *ad hoc* (stand-alone or multi-donor) development assistance initiatives designated by AusAID;
- m. The writing of concept notes and briefs on development topics of strategic significance, or the commissioning and supervision of their production by others;
- n. The commissioning and supervision of applied research projects; and
- o. The conduct of periodic contextual analyses that take account of the latest findings from research conducted in Timor-Leste and in fragile or post-conflict states.

90. The provision of some or all of the services outlined above will be at AusAID's request.

91. The extent to which it is possible to achieve these objectives will clearly have a significant bearing on: the overall impact of Australian development assistance to

Timor-Leste, or its effectiveness; its coherence and inter-connectedness; its harmonisation with other development initiatives; and its alignment with the strategic objectives of the governments of Timor-Leste and of Australia.

**92. Structure:** It is proposed that the main structural vehicle for the above be a ‘*Development Policy and Management Group (Timor-Leste)*’,<sup>31</sup> (DPMG) comprising:<sup>32</sup>

- a. Chair (part-time) (PSCDP Program Manager) – covering the fields of governance (particularly public sector management) and aid effectiveness.<sup>33</sup>
- b. Member and Senior Consultant (Law and Justice) (full-time, and to be appointed by AusAID) – covering law and justice and other, more general, aspects of the strategic objectives outlined above, as assigned by the Chair (to whom this position would report).<sup>34</sup>
- c. *Ad hoc* invitees – at the discretion of the Chair.
- d. *Ad hoc* short term advisers on direction from AusAID (funded as additional initiatives)

93. The Senior Consultant will report to the Chair of the DPMG. Decisions concerning the assignment of duties within the DPMG will be reached collegially, but with final authority resting with the Chair.

**94.** As implied by the name of the Group, its underlying or founding assumption is that it is designed to provide first and foremost to the Government of Australia (AusAID) the best possible advice on the matters set out in paragraph 89, which in turn will be of benefit to the people of Timor-Leste. Its core membership reflects this purpose.

**95. Membership tenure:** It is in the character of much of the work described in paragraph 89 that continuity of attention from the same team over a reasonable period of time will yield the best results. Core members of the DPMG (92a and 92b) should therefore be appointed to their positions for a period of at least two years.

**96. *Modus operandi:*** The DPMG will operate as a (mini) think tank<sup>35</sup>, informed by the latest and best research and analysis of development policy and management and by up-to-date and valid local (primary and secondary) empirical evidence. Much of the work outlined in paragraph 89 will require continuing attention from the Group. Other work will be planned but occasional; and some will be *ad hoc*. A great deal of the Group’s work will be carried out in the form of consulting or research assignments. The Group will be supported - through GRM’s Director of Facilities Management - by GRM International’s Governance and Justice Practice Group and their various international partners, but will cast as wide a net as possible in order to gain access to the best sources of data and opinion.

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<sup>31</sup> Another name could be: ‘Australian Development Policy and Management Group (Timor-Leste)’. In both titles the word ‘management’ connotes ‘strategic management’.

<sup>32</sup> The mix of permanent and part-time membership, member functions, and reporting relationships found in this body is typical of a matrix structure (or Adhocracy), which is a form of organisation commonly employed for special initiatives of this sort. “The Adhocracy is the structural configuration most suited to sophisticated innovation” (Blunt, P. *Human Resource Management*. Melbourne: Longman Cheshire, 1986, p. 89).

<sup>33</sup> TOR for 92a and 92b are set out in Annex D.

<sup>34</sup> This position is currently designated as a ‘Senior Legal Policy Adviser’.

<sup>35</sup> The (USA) National Institute for Research Advancement describes a think tank as “... one of the main policy actors in democratic societies”, which assure a “... pluralistic, open and accountable process of policy analysis, research, decision-making and evaluation”.

**97. Reporting:** The DPMG will report to relevant AusAID officials in Canberra through the AusAID Counsellor in Dili. Such reporting will be done by the Chair of the DPMG who will meet at least once a month with the AusAID Counsellor in Dili, or as frequently as necessary.

**98. Authority:** Unless specified otherwise by AusAID, the DPMG will have advisory powers only. This means that the DPMG will have no line authority over any (stand-alone or multi-donor) AusAID-financed programmes or projects, unless such authority is formally delegated by AusAID.

**99. Division of labour and terms of reference (TOR):** Initially, it is proposed that the PSCDP Program Manager devote about 30-40% of his time to the work of the DPMG, with increases according to demand.<sup>36</sup> The position description for the PSCDP Program Manager has been revised accordingly and is set out in Annex D together with a position description and person specifications for the Senior Consultant position. The main implication of these changes for the position of PSCDP Program Manager is a reduction in the amount of time devoted by the position to the management of PSCDP operations. The revised position description of PSCDP Program Manager retains overall management responsibility and authority and all of the strategic management aspects of the original TOR. Other implications for the internal reorganisation of PSCDP are discussed briefly below and in Annex D.

**100. Performance:** The best results are likely to be achieved when it is possible for the permanent membership of the DPMG to comprise people with the requisite high levels of technical expertise and experience<sup>37</sup> combined with physical presence in the country concerned for a significant part of the year. This will not be easy to do or to maintain, or to replicate in other places, and will constitute the main impediment to possible diffusion of this idea to other countries – see below.

**101. Replicability:** The proposals made here are clearly replicable, and would make most sense in other developing countries in the region that receive significant amounts of development assistance from the Government of Australia (such as Indonesia, Papua New Guinea, and the Solomon Islands). In principle, there is no reason why the strategic objectives outlined in paragraph 89 above should not be as applicable in other countries as they are in Timor-Leste. For example, a '*Development Policy and Management Group (Solomon Islands)*' may have the same set of strategic objectives, but local (national) priorities may differ.

**102.** As suggested above, the major constraint on diffusion to other countries will be whether it is possible to appoint members to national DPMGs that combine reasonable periods of residence in the country in question with sufficient levels of relevant know-how and experience.

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<sup>36</sup> It is clear from the number and scope of the strategic objectives set out in paragraph 89 – and their elasticity – that they could easily constitute a full-time load for the Chair. The extent to which such evolutionary potential should be realised can be gauged as the work progresses. In the meantime, the PSCDP Program Manager could allocate up to 30-40% of his time to the position.

<sup>37</sup> The credentials of the senior members of the DPMG should preferably be of international standing.



103. **Institutionalisation:** The proposals made here are institutionalised to the extent that the membership of the Group proposed for Timor-Leste comprises a full-time dedicated membership over a reasonable period. Decisions concerning more complete institutionalisation (mainly in relation to the position of Chair) and possibilities for replication to other countries can be made in the light of demand for the services of the DPMG and its performance. Clear indications concerning the value of what is proposed should be discernible within one year of the establishment of the DPMG (Timor-Leste).

104. **Other implications:** To compensate for the changes to the role of the PSCDP Program Manager, it is proposed to convert an existing Senior Program Adviser position to a PSCDP Deputy Program Manager (in charge of operations). The Deputy Program Manager position would be filled by an existing Senior Program Adviser (John Walsh). Some of the PSCDP portfolio management responsibilities currently assumed by the Program Manager and the Deputy Program Manager-designate would be reassigned to a fifth PSCDP core adviser (there are currently four, the Program Manager and three others – excluding the ADS Manager), which position has been approved in recent contract negotiations between GRM and AusAID. The TOR for the Deputy Program Manager and revised TOR for the Program Manager are set out in Annex D.

105. Administrative and related forms of support to the DPMG will be provided by the PSCDP main office.

106. **Financing:** The Senior Consultant position will be appointed by AusAID and will be financed under another program. The other suggested changes will need to be financed under PSCDP, but not from the imprest account. The overall financial implications of these proposals are set out in a Change Frame in Annex E.

### 1.3 Risks

107. Program risks, and actions being taken to ameliorate them, that are set out in the Annual Plan 2006-2007 remain valid. However, as the Program has got underway, three other significant risks have emerged or have been reinforced by experience.

108. First, the heavy reliance of the Program on advisers clearly makes adviser quality a crucial factor to Program performance, and hence a significant risk. That is to say, Program performance will suffer if reasonably uniform and high levels of adviser quality cannot be attained. Experience to date suggests that this is not always easy to do.<sup>38</sup> The size of the pool of qualified applicants for a position – which is a function of recruitment – is the most critical aspect of finding and appointing good advisers. To date, pool size and quality has varied between positions, but on the whole has been disappointing. This may be partly a function of market perceptions of Timor-Leste as being a difficult place for expatriates to live and work and partly a

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<sup>38</sup> This is an obvious thing to say, but its importance sometimes does not receive the acknowledgement in practice that it deserves. The observation is reinforced both by the uneven quality of PSCDP (and other) advisers 'on the ground' (most of whom were inherited from the previous facility), the paucity of talent revealed in pools of qualified applicants for certain positions that have been advertised by PSCDP over the past year, and by the findings of the studies of TA and aid effectiveness discussed in an earlier section of this plan.

function of PSCDP recruitment coverage. The following steps will be taken to ameliorate this risk and to attain the highest levels of adviser quality:

- 'Bulk' advertisements may be placed in magazines such as *The Economist* and advertisements will be placed on *The Economist* web site;
- Advertised positions will not be specified too narrowly (this policy has been implemented since about July 2007) - for example, by not requiring developing country experience or, in some cases, by considering younger professionals with high levels of educational accomplishment and steeply upward early career trajectories;
- The (time) structure of assignments in-country will be made as flexible as possible, meaning that a variety of work patterns may be considered for international advisers involving, for example, short periods of work in-country interspersed with reasonable leave breaks (say, three weeks 'on' and one week 'off'); and
- Possible 'pooling' of applicants to AusAID/GRM facilities across countries.

109. A second, and related, risk is associated with special pleading for advisers once they have been appointed. Such special pleading can occur for a variety of reasons, present in a variety of forms, and come from a variety of influential sources – including, but not solely, the host government agency. A consequence of this has been that certain advisers – to date, exclusively those whom the Program regards as not performing to a satisfactory standard - become embedded and difficult or impossible to 'winkle out'. Lower quality adviser appointments naturally increases the likelihood that special pleading will occur (because, by definition, such advisers cannot safely rely on their technical capabilities to carry them through, and therefore cultivate other – informal - 'safety mechanisms' or 'sponsors'). Special pleading leads to embeddedness. The result is a pool of poor quality advisers who are more or less insulated from removal.

110. The costs associated with this phenomenon are high and come in three main forms: first, there is the performance cost to the host agency and to the Program as a whole; second, there is the disproportionate amount of management time and effort that invariably need to be devoted to such cases; and third, and most importantly, the host government and the Program suffer significant opportunity costs in that resources that are spent on low quality – embedded - advisers clearly cannot be put to more productive uses. This risk will be ameliorated at every opportunity by making all parties (but, because of its decision-making authority, particularly the PMG) aware of the costs involved and drawing attention to the ethical implications of special pleading.

111. A third risk arises from the varying levels of understanding among advisers of questions of capacity development, gender equity, sound governance (including the minimisation of corruption), and equitable development. A reasonable and fairly uniform level of understanding of these matters is clearly a necessary condition for adviser action to promote them. This risk is being addressed through series of workshops each of which will consider one of these areas. The first and second workshops in the series on capacity development were held on 2 August and 18 September 2007 and a third, on HIV/AIDS prevention was held on 27 September.

## 2. Progress

112. In the sections that follow, progress over the period February to September 2007 is reported in relation to Program Activities, Additional Initiatives, other capacity building work, the ADS program, and the ALA.

### 2.1 Program Activities (formerly 'core')

113. Progress of Program Activities, accomplishments, and issues surrounding them, are set out in Table 3 below. Additional Initiatives are discussed in Section 2.2. Other capacity building activities that have taken place during the last six months are discussed briefly in Section 2.3.

Table 3: Summary Report on Program Activities			
Activity No. & (core adviser)	Activity & Institution	Modes of Assistance	Comments
002 (AGC)	Operational Planning Project - NDPEAC	Advisers: N. Granadeiro M. Ximenes	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>An end of activity assessment was conducted that recommended non-extension of the Activity to PMG</li> <li>PMG in its 12<sup>th</sup> July 2007 meeting decided not to extend the Activity</li> <li>Granadeiro and Ximenes contracts ended 27<sup>th</sup> July 2007</li> <li>Activity completed 27<sup>th</sup> July 2007</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>Training, orientations, and working sessions provided to a total of 22 Directorates in Ministries since the start of Activity in 2004</li> <li>Overall assessment of the Activity was that it had been poorly designed and implemented, highlighting the issues mentioned below</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>Poor initial activity design</li> <li>Limited evidence of capacity development, which confirms observations of CBF, and therefore limited sustainability</li> <li>Low cost-effectiveness</li> <li>No evidence of operational planning taking place</li> <li>Limited spontaneous demand for operational planning training from the Ministries</li> <li>Operational planning is not well (or at all) integrated with other – higher level – planning, such as the SIPs and Annual Action Plans and budgets, nor is it incorporated in normal systems of reporting in government</li> <li>PMG discussions noted that Operational Planning is ideally a normal part of good management and that training on questions of management &amp; supervision, as well as operational planning, should be a</li> </ul>

**Table 3: Summary Report on Program Activities**

Activity No. & (core adviser)	Activity & Institution	Modes of Assistance	Comments
			responsibility of INAP
004 (JW)	Development of Regulations and Policy for the Ministry of State Administration (MoSA)	<b>Advisers:</b> Susan Hayes Jose Reali	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>Advisers' contracts expired 30 April 2007</li> <li>PSCDP reviewed the Activity in March 2007</li> <li>Differing views expressed by PSCDP and MoSA</li> <li>PMG approved twelve month extensions subject to stringent performance review at six months</li> <li>PMG approved amendments to the ToR of both advisers to reflect the reality of the important legal work (required by the Constitution and certain delegations by the PM) being undertaken within the Ministry and the need for HR practitioners, rather than lawyers, to take major responsibilities for the implementation of the regulations</li> <li>Legal adviser resigned effective 13 August</li> <li>HRM Adviser (activity 026) commenced on 27 August</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>Career Regime decree and Positions of Directory and Management of Public Administration decree promulgated; implementation has been deferred</li> <li>Civil Service Performance Evaluation System drafted for consideration of CoM</li> <li>Regime of Recruitment, Access and Promotion drafted for consideration of CoM</li> <li>Civil Service Leave entitlements drafted</li> <li>Civil Service pension scheme options paper drafted</li> <li>New GoTL has decided to review the current Act and establish a Civil Service Commission</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>It is apparent that very limited consultation has occurred with draft regulations</li> <li>Payroll and IT issues arising regarding Career Regime regulations may have been avoided with more consultation</li> <li>PSCDP core advisers have discovered fundamental flaws in some drafts, which have required amendments</li> <li>Some difficulties have been encountered with one adviser with respect to access to draft regulations</li> <li>Owing to the absence of suitable counterparts, relatively little evidence of capacity development occurring</li> </ul>
023 (PB/JW) (MB/AGC)	Professional Development of 4 Directors and	Twinning arrangements; work	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>Activity approved by PMG on 2 October 2006</li> </ul>

**Table 3: Summary Report on Program Activities**

Activity No. & (core adviser)	Activity & Institution	Modes of Assistance	Comments
	other senior managers	placements; conferences; education & training	<p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>Development of twinning arrangements with other governments (e.g., South Australia and NSW) in progress</li> <li>The Director of NDPS has gained admission to a Master of International Management degree course at the Charles Darwin University in Australia and will commence studies in the second half of 2007. As part of his preparation, he is currently undergoing intensive English language training in Timor-Leste.</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>Possible changes or transfers of personnel</li> <li>English language</li> <li>Careful scheduling of placements so as not to deplete GoTL capacity</li> </ul>
025 (JW)	Support to the Development & Dissemination of Civil Service Regulations & Development of Human Resource Management Skills in NDPS	Susan Hayes	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>Approved by the PMG on the 15 December 2006.</li> <li>Advertised on the 18 December 2006 and closed on the 22 January 2007</li> <li>Preferred applicant determined at interview on 12 April 2007</li> <li>Position re-advertised on 30 April 2007 and closed on 21 May 2007</li> <li>Interviews conducted on 20 June 2007</li> <li>Adviser commenced on 27 August 2007</li> </ul> <p><b>Significant achievements or tasks or potential:</b></p> <ul style="list-style-type: none"> <li>With review of current Act, establishment of Civil service Commission and no regulations yet effective, significant potential for this activity to achieve early impact</li> </ul>
026 (JW)	Support to Implementation of Civil Service Regulations - INAP	Sue Smith	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>Approved by PMG on 15<sup>th</sup> December 2006</li> <li>International adviser position advertised on 18 December 2006 and closed on 22 January 2007</li> <li>International adviser commenced on 16 April 2007</li> <li>Two curriculum development and training adviser positions advertised on 26 June and closed 13 July 2007</li> <li>Interviews delayed pending new GoTL policy announcements</li> <li>Interviews conducted 7 September</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>Report on future needs of INAP completed</li> <li>As a result of the above, expansion of activity design and ToR for two curriculum development and training advisers approved</li> </ul>

**Table 3: Summary Report on Program Activities**

Activity No. & (core adviser)	Activity & Institution	Modes of Assistance	Comments
			<p>(see above)</p> <ul style="list-style-type: none"> <li>Donor assistance plan developed in conjunction with Director and staff</li> <li>Overarching curriculum framework completed</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>Primary counterpart, Director, INAP appointed Secretary of State for Administrative Reform</li> <li>Limited access to counterparts could affect capacity development</li> <li>Government policy may impact on roles and responsibilities of INAP</li> <li>Adviser being drawn into donor harmonisation issues</li> </ul>
027 (PB/MB)	Management of Adviser Effectiveness – Demographics Database - CDCU	Paul Bacon	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>Approved by the PMG on the 15<sup>th</sup> December 2006</li> <li>International position advertised on 18 December 2006 and closed on 22 January 2007</li> <li>National adviser position advertised on 8<sup>th</sup> January and closed on 29 January 2007</li> <li>Appointment and mobilization of both International and National MIS advisers completed on 25 April and 10 May respectively</li> <li>Adviser resigned in late July 2007</li> <li>TOR modified and position re-advertised week ending 17 August and closed on 27 August 2007</li> <li>Short-listing commenced</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>Demographic data collection methodology devised</li> <li>Activity marketing presentation made to donor group and ready to be introduced to donor agencies</li> <li>Compiled data on 212 advisers in GoTL</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>Possible reluctance from donors and/or governmental agencies to supply data and/or delayed data returns?</li> <li>Risk of producing MIS procedures that are too technical – therefore important to ensure that the national adviser is involved in the development of all MIS procedures</li> <li>Absence of the international adviser could delay data analysis and production of relevant reports</li> <li>National Adviser is currently collecting data on advisers and reconciling with data stored in database. Aiming to have this exercise ready by the time new MIS adviser</li> </ul>

**Table 3: Summary Report on Program Activities**

Activity No. & (core adviser)	Activity & Institution	Modes of Assistance	Comments
			commences
028 (PB/MB)	Management of Adviser Effectiveness	A.N Other	<b>Administrative status:</b> <ul style="list-style-type: none"> <li>Approved by the PMG on the 15<sup>th</sup> December 2006</li> <li>International position advertised on 18 December 2006 and closed on 29 January 2007</li> <li>National position advertised on 8<sup>th</sup> January and closed on 29 January 2007</li> <li>International adviser commenced on 30 April</li> <li>National adviser commenced on 10<sup>th</sup> July 2007</li> <li>International adviser resigned for personal reasons in mid-July 2007</li> <li>Revised TOR advertised on 30 July and closed on 20 August 2007</li> <li>25 applications received and 15 recommended for further consideration</li> <li>Selection and preliminary interviews of short-listed applicants scheduled for week starting 10<sup>th</sup> September 2007</li> </ul> <b>Significant achievements or tasks:</b> <ul style="list-style-type: none"> <li>Project plan developed</li> <li>Activity marketing presentation prepared</li> </ul> <b>Issues:</b> <ul style="list-style-type: none"> <li>Possible resignation of adviser for personal reasons and re-advertisement of position</li> <li>Arising from the above, possible impediments to promotion of the activity</li> <li>Possible reluctance on the part of some donors and/or government agencies to support the activity?</li> </ul>
029 (AGC)	Sectoral Working Group Support	Pilot program	<b>Administrative status:</b> <ul style="list-style-type: none"> <li>Approved by the PMG on the 15<sup>th</sup> December 2006</li> <li>Advertised on the 18<sup>th</sup> December 2006 and closed on the 22<sup>nd</sup> January 2007; failure in the first round of the procurement process due to the withdrawal of short-listed applicants</li> <li>Re-advertised on the 30<sup>th</sup> April 2007 and closed on the 21<sup>st</sup> May 2007; the second round of the procurement process was terminated as a result of changes to key terms and conditions of the contract (i.e. duration increased from 4 to 12 months; from design alone to design &amp; implement activity)</li> <li>Modified TOR re-advertised with a closing date of 29<sup>th</sup> August 2007; 16 applications received; 13 recommended for consideration</li> <li>Discussions with the new GoTL concerning this activity are ongoing</li> </ul>

Table 3: Summary Report on Program Activities			
Activity No. & (core adviser)	Activity & Institution	Modes of Assistance	Comments
			<b>Issues:</b> <ul style="list-style-type: none"> <li>Desire to appoint high quality adviser has contributed to the delay</li> <li>Preferred candidate lost at final stage</li> <li>Significant number of variations to the design and ToR instigated by the client</li> </ul>
030 (PB)	Monitoring & Evaluation of GoTL's External Advisers - CDCU	PSCDP	<b>Administrative status:</b> <ul style="list-style-type: none"> <li>Approved by the PMG on the 15<sup>th</sup> December 2006</li> </ul> <b>Issues:</b> <ul style="list-style-type: none"> <li>Activity will only commence after Activity 28 has started to address these sorts of issues</li> </ul>
031 (PB/MB)	Development and Dissemination of a National Work Force Plan	Adviser	<b>Administrative status:</b> <ul style="list-style-type: none"> <li>Approved by the PMG on the 15<sup>th</sup> December 2006</li> <li>International position advertised on 18 December 2006 and closed on 22 January 2007</li> <li>Six written applications received for consideration by the selection panel</li> <li>National position advertised on 8<sup>th</sup> January and closed on 29 January 2007</li> <li>International and National HR advisers commenced on 23 April and 14 March respectively</li> </ul> <b>Significant achievements or tasks:</b> <ul style="list-style-type: none"> <li>Introduction of activity to Vice Prime-Minister and getting VPM full endorsement and support</li> <li>In the various meetings with different stakeholders (government agencies and donors) there has been unanimous support of the activity</li> <li>Filing system established</li> <li>Activity marketing presentation made to (Minister and Vice Minister) Ministry of Economy and Development on 13 September</li> </ul> <b>Issues:</b> <ul style="list-style-type: none"> <li>Under the new GoTL, the most likely institutional location for this activity is the Ministry of Economy and Development</li> <li>Capacity of ministries and other government agencies to provide required workforce supply and demand information is unknown at this stage, but is likely to be highly variable</li> <li>Public sector data which were to be available by September through the PMIS may not be ready</li> </ul>
03 (PB/JW) (MB/AGC)	Up-dating of Sector Investment	Advisers	<b>Administrative status:</b> <ul style="list-style-type: none"> <li>Approved by the PMG on the 23<sup>rd</sup> May 2007</li> </ul>



<b>Table 3: Summary Report on Program Activities</b>			
<b>Activity No. &amp; (core adviser)</b>	<b>Activity &amp; Institution</b>	<b>Modes of Assistance</b>	<b>Comments</b>
	Programs: (1)Public Sector Management; (2) Social, Civil, & Heritage Protection; (3) Security, Peace Building & Justice; (4) Local Development; (5) Rights, Equality & Justice		<ul style="list-style-type: none"> <li>Positions were advertised on 6 June 2007 and closed on 22 June 2007</li> <li>Approximately 90 queries, of which 47 written application were received for consideration by the selection panel</li> <li>Four selection processes completed with contracts offered</li> <li>Following the appointment of the new GoTL, this activity has been put on indefinite hold and has therefore been removed from the financial projections for the planning period</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>N/A</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>The uncertain timing and length of the missions</li> <li>The uncertainties associated with the political environment</li> <li>The extent to which the up-dating process is well-integrated with existing agency plans</li> <li>Variability in terms of the content and structure of reports</li> <li>Capacity limitations of participating agencies</li> <li>New GoTL has delayed SIP revisions, or the development of alternative medium term expenditure frameworks, pending a review of Government planning processes</li> </ul>

## 2.2 Additional Initiatives (formerly 'non-core')

114. Progress of Additional Initiatives is summarised in Table 4 below.

<b>Table 4: Summary Report on Additional Initiatives</b>			
<b>Activity No. &amp; (core adviser)</b>	<b>Activity &amp; Institution</b>	<b>Adviser/s</b>	<b>Comments</b>
001 (JW/PB)	Institutional strengthening and capacity building – Ministry of Interior	R. Murray M. Bernardino	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>Review of activity undertaken by PSCDP at request of AusAID before activity expiry date of 13 October 2006</li> <li>Following review, activity and contracts extended until March 2007</li> <li>As a result of review, and after discussion with Minister, both ToRs amended</li> <li>Amended ToR require greater focus on capacity building &amp; work for which the advisers are qualified</li> <li>Activity extended until 31 December 2007 at AusAID's direction</li> <li>International adviser evacuated by air to</li> </ul>

**Table 4: Summary Report on Additional Initiatives**

Activity No. & (core adviser)	Activity & Institution	Adviser/s	Comments
			<p>Darwin due to serious illness on 1 September</p> <ul style="list-style-type: none"> <li>Awaiting news concerning possible return to Timor-Leste</li> <li>Secretary of State for Security requested AFP to provide a Legal Adviser and a Security Adviser</li> <li>Meeting held with Secretary of State on 3 September</li> <li>TOR for the above positions will be reviewed and an assessment made of need for further support if any</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>Strategic framework developed in conjunction with TLPDP</li> <li>A Vision 2020 document for the Ministry was approved.</li> <li>An Advisory Working Group was established</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>Lack of evidence of capacity development continues to be a problem</li> <li>Adviser engaged AFP to train civil servants within MOI, inconsistent with GoTL policy</li> </ul>
003 (JW/PB)	Support to Office of the Prosecutor General	F. Tilman F. Caiano	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>No major changes in the outputs (continued administrative support to registration unit and to the PG &amp; DPG)</li> <li>Contracts extended six months to 31 August 2007</li> <li>The Senior Administration Coordinator's contract extended further, until 31 January 2008 with the ToR to be amended to include a Capacity Building plan for training local staff</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>On-going development of operating systems and procedures for effective management of secretariats and registry</li> <li>Restructure of records management system</li> <li>Up-date and reorganisation of Registry for Baucau, Oecussi &amp; Suai Districts</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>As for the six-month report July 2006 - January 2007</li> </ul>
005 (MB)	Senior Policy Adviser, Water – Ministry for Natural Resources	R. Reed	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>The completion of the 180 days input (6 trips in a 12 month period) negotiated in his original contract cannot be fulfilled during the contract period because first trip was aborted before reaching Timor-Leste. Extension of contract in train – to December 2007</li> <li>Timing of next trip to be decided after new GoTL is in place and subject to the request of the new Minister</li> </ul>

**Table 4: Summary Report on Additional Initiatives**

Activity No. & (core adviser)	Activity & Institution	Adviser/s	Comments
			<ul style="list-style-type: none"> <li>▪ Extension of this <i>activity</i> may involve re-advertising the position</li> <li>▪ PSCDP met with the new Secretary of State for Electricity, Water and Urbanization and got OK for the current adviser to complete his 2 remaining visits</li> <li>▪ Extension of the position will require revision of TOR to include additional responsibilities on the two other areas of the Secretary of State portfolio and re-advertisement</li> <li>▪ Adviser informed</li> <li>▪ GRM Brisbane is liaising with Loughborough University for extension of contract of the current adviser to complete the 2 remaining visits.</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>▪ N/A</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>▪ For most of the reporting period, for security reasons, the adviser's institution in the UK has not allowed the adviser to travel to Timor-Leste</li> <li>▪ It is a difficult role to define and to fulfil – if the activity is extended, there may be some virtue in revisiting the design</li> </ul>
007 (MB)	Interim Support to DNAS	A. Smith A. Sihombing	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Interim support bridging two water and sanitation projects</li> <li>▪ Activity reviewed and extensions for both positions recommended, and instituted, to the end of July 2007</li> <li>▪ Following the award of the AusAID-financed WATSAN project in July 2007, the positions were terminated on 13 and 19 July respectively</li> <li>▪ Activity completed</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>▪ Draft ministerial policy guidelines and instructions for community water supply and sanitation were completed and forwarded to the Cabinet Secretariat</li> <li>▪ Draft ministerial policy guidelines and instructions for multi-village water supply systems were completed and forwarded to the Cabinet Secretariat</li> <li>▪ A CD was produced on the revised district water and sanitation plans in 13 districts for FY 2007-08</li> <li>▪ Planning and development staff working on rural water supply (RWS) projects have been using the Epanet (design) program for pipe network analysis with the support provided by the IS-DNAS adviser</li> <li>▪ With the support provided by IS-DNAS,</li> </ul>

**Table 4: Summary Report on Additional Initiatives**

Activity No. & (core adviser)	Activity & Institution	Adviser/s	Comments
			<p>planning and development staff have been able to complete FY06-07 RWS tender documents. Outstanding tender documents have been carried forward to F/Y 07-08</p> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>▪ Bottlenecks at procurement services slow down the execution of the DNAS annual budget. Shifting the procurement process to the MNRMEP is expected to accelerate the execution of the budget in future</li> <li>▪ Supervision is the weakest part of project implementation. DNAS needs to place more emphasis on project supervision</li> <li>▪ Bulk procurement: in most cases, construction companies do not have the necessary cash to pre-finance CFET-funded projects</li> <li>▪ There is a shortage of qualified and experienced technical staff in DNAS</li> </ul>
008 (AGC)	Support to Program Activities-Health Services Adviser MoH	R. Smyth F. Gonzalves	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Activity completed 31<sup>st</sup> March 2007</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>▪ Assisted the Project Management Adviser with the completion plans for the GF-Malaria &amp; Tuberculosis Programs;</li> <li>▪ Assisted the Project Manager with submissions for the approval of the GF-HIV/AIDS Program</li> <li>▪ From February 2006 till the end of the Activity in March 2007, the adviser performed 'in-line' functions in the GF Project Management Unit (PMU) to help the Ministry address issues on project management and to meet its contractual obligations to GF. Even with the appointment of the Project Management Adviser in November 2006 (Act 014), the adviser continued to support the GF-funded project. In effect, the original intention for this position, which was to assist the National Directorate of Health Services Delivery, was never implemented</li> </ul>
014 (AGC)	Support to Program Activities-Project Management Adviser MoH	W. J. Rockett	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Adviser commenced on November 8, 2006 on basis of re-activated approval of previous Facility</li> <li>▪ Terms of Reference (TOR) of the Project Management Adviser (PMA) modified to consider the approval of the GF funded HIV/AIDS Program for Phase 1 (2 years)</li> <li>▪ Activity duration extended till February 2009 – PMG meeting of the 28<sup>th</sup> March 2007</li> <li>▪ Activity assessment conducted in August/September 2007 recommended</li> </ul>

**Table 4: Summary Report on Additional Initiatives**

Activity No. & (core adviser)	Activity & Institution	Adviser/s	Comments
			<p>extension of the PMA's contract to February 2009, which is the end of the activity</p> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>Approval obtained for an HIV/AIDS grant for a 2-year program (Phase I) in the amount of US\$3.7 million – on the basis of compliance with GF programmatic &amp; contractual obligations</li> <li>The Services Support Unit (SSU) was set up under the Directorate of Health Services Delivery (DHSD). The SSU supports management &amp; implementation of the GF funded HIV/AIDS program</li> <li>Capacity development initiatives undertaken in addition to the above: a) building of relationships with other development partners such as the UN organizations and AusAID in order to restore GF confidence in the Ministry; b) key systems of the program installed: filing, program documentation, budgeting, accounting &amp; finance, monitoring &amp; evaluation; c) on-going skills transfer through advising of the former Vice-Minister, DHSD staff; and the SSU personnel</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>Difficulties in working with counterparts (e.g., non-availability; some do not recognize need for training; some do not accept changes in their roles) – adviser is meeting weekly with counterparts in an attempt to resolve the issues</li> <li>A risk that capacity building activities will become secondary to line management tasks</li> </ul>
015 (MB)	Secretariat of State – Council of Ministers (CoM)	D. Tristao H. de Aquino (to 30 April 2007) V. Anacleto Judite Palma Costa	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>Approved by the PMG on the 22<sup>nd</sup> December 2005</li> <li>Advisers mobilized on 5 November 2006</li> <li>One of the legal advisers did not accept offer of renewal of his contract at the end of first phase (April 07)</li> <li>Re-advertisement and recruitment of replacement in progress</li> <li>Legal adviser commenced on 21 August 2007</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>13 organic law drafts finalised and ready to be tabled in the Council of Ministers for discussion</li> <li>Forty diplomas/ laws and agreements have been written, of which eighteen have been approved by the Council of Ministers, such as: (1) Proposal law for Basic Education System (2) National policy for housing (3) Resolution that established the National Committee for Literacy (4) Resolution of the</li> </ul>

**Table 4: Summary Report on Additional Initiatives**

Activity No. & (core adviser)	Activity & Institution	Adviser/s	Comments
			<p>Council of Ministers that approves the Kyoto protocol on the UN IV Convention on Climate Change (5) Agreement between GoTL &amp; Australia for the use of the oil fields in Sunrise and Trovador; (6) Agreement between RDTL &amp; Australia about maritime boundaries and rights in the Timor Sea; and (7) A strategic framework for decentralization and local government</p> <ul style="list-style-type: none"> <li>▪ Under new GoTL: <ul style="list-style-type: none"> <li>➢ Approved organic law for the 4<sup>th</sup> Constitutional Government</li> <li>➢ Approved policy and regulation to implement 4<sup>th</sup> Constitutional Government Organic Law</li> <li>➢ Started revision and re-drafting of organic laws for new GoTL</li> </ul> </li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>▪ As for the six-month report 2006-2007, plus:</li> <li>▪ Ministers have not approved legislation during the election period</li> <li>▪ Related to the above, non-attendance of Ministers at CoM meetings</li> </ul>
019 (AGC)	Policy and Legislative Framework , Ministry of Agriculture, Forestry and Fisheries	To be decided	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ First tender request completed on the 15th June 2007</li> <li>▪ No formal tenders received from state or territory governments in Australia; and expressions of interest from NSW and NT governments were not strong</li> <li>▪ Revised procurement strategy and proposed schedules ready to be implemented</li> <li>▪ Government changes may delay procurement</li> <li>▪ Consultations with the Ministry of Economy and Development are on-going to clarify latest developments and new priorities</li> </ul>
020 (AGC)	Community Nutritionist Adviser MoH	C. Dignan	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Mobilized on the 24th January 2007</li> <li>▪ Work plan completed</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>▪ Improvements in the management of the national nutrition program, mainly to storage of nutrition resources, the filing system, IT assessment &amp; minor systems' improvements within the Maternal &amp; Child Health Unit of MoH</li> <li>▪ Assisted MoH in considering tools for nutrition reporting &amp; monitoring such as the individual beneficiary monitoring card and the monthly Supplementary Feeding Program Report</li> <li>▪ Developed the draft Operations Manual on the Safety Net Program for review by MoH</li> <li>▪ Developed a nutrition services' training and</li> </ul>

**Table 4: Summary Report on Additional Initiatives**

<b>Activity No. &amp; (core adviser)</b>	<b>Activity &amp; Institution</b>	<b>Adviser/s</b>	<b>Comments</b>
			<p>supervision guide for health facilities at the district &amp; sub-district level. A 3-day course on the proposed guide for District Public Health Officers and MCH Coordinators was held from 12-14 September 2007</p> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>▪ Non-availability of primary counterpart due to in-country or out of country training workshops</li> <li>▪ Not being able to travel to the Districts because of security issues</li> </ul>
022 (PB)	Senior Management Adviser - Office of the Prosecutor General	G. Gahima	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Adviser commenced 1 February 2007</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>▪ Contextual analysis of OPG completed</li> <li>▪ Draft organisational structure and job descriptions completed</li> <li>▪ Successfully negotiated additional activity related to capital works for district offices of PG (see Act 035) and funding from AusAID.</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>▪ 'Accessibility' of PG</li> </ul>
032 (JW)	World Bank Leadership and Communication project	Alex Tilman	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ This activity was designed at the request of AusAID to enable AusAID to contribute to a Leadership and Communication project based within the World Bank</li> <li>▪ The contractor works within the World Bank project and does not report to PSCDP in any management sense</li> </ul>
03 (PB/MB)	Food Security	Heimo Heringa	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Approved by the PMG on the 23<sup>rd</sup> May 2007</li> <li>▪ Selection underway: 20 written applications received for consideration by the selection panel, out of which 5 were short-listed</li> <li>▪ Interviews conducted and the panel agreed unanimously that three of the candidates were not appointable. The two appointable candidates were not considered to be strong, but of sufficient calibre to do the job</li> <li>▪ Contract negotiations finalised with successful applicant; decision was based on technical and value for money criteria</li> <li>▪ Adviser commenced on 17 September</li> </ul> <p><b>Significant achievements or tasks:</b></p> <ul style="list-style-type: none"> <li>▪ N/A</li> </ul> <p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
035 (JW)	OPG Capital Works	N/A	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Agreement to provide grant of AUD 450,000 signed</li> <li>▪ Funds transferred to GoTL accounts</li> </ul>
036 (AGC)	MoH English Language	N/A	<p><b>Administrative status:</b></p> <ul style="list-style-type: none"> <li>▪ Endorsed by PMG meeting of 12<sup>th</sup> July 2007</li> </ul>



**Table 4: Summary Report on Additional Initiatives**

Activity No. & (core adviser)	Activity & Institution	Adviser/s	Comments
	Training		<ul style="list-style-type: none"> <li>Payments made for the English Language course with the Charles Darwin University</li> <li>Ms. Ana Isabel F.S. Soares - former Director - the trainee, will do the 20-week course starting 17<sup>th</sup> September 2007</li> </ul>

### 2.3 Other Capacity Building Activities

115. **PSCDP dinner/seminar series:** The first in a series of AusAID dinner/seminars – conducted through PSCDP - was held on 27 June 2007 at Hotel Timor, and attended by the Australian Ambassador to Timor-Leste, AusAID staff in Dili, senior government officials, and most advisers employed under AusAID-financed programs. A short welcoming speech was made by the Counsellor, Development Cooperation (Robin Scott-Charlton); and this was followed by a presentation on ‘Governance in Crisis’ by the Program Manager of PSCDP (Peter Blunt). A total of 62 people attended.

116. The second dinner/seminar was held on 1 September 2007 at Hotel Timor, and the after dinner presentation was made by the Senior Management Adviser in the Office of the Prosecutor General (Gerald Gahima) on ‘Justice in Societies in Transition: Lessons for Timor-Leste’. There was lively discussion following the presentation.

117. These functions are designed to promote professional and social interaction among advisers and counterparts and synergy between AusAID-financed programs, but also to encourage informed discussion of different aspects of development in a relaxed and congenial atmosphere. The idea is to have AusAID advisers - or invited guest speakers - make an after dinner presentation on an aspect of their work or experience that might be of general interest. Depending on the supply of volunteers and guest speakers, it is intended to hold one such event about every two to three months.

118. **PSCDP workshop series:** PSCDP has begun to sponsor and conduct a series of parallel workshops on ‘cross-cutting’ themes, such as capacity development; gender; monitoring and evaluation; and corruption. The idea is to improve adviser and counterpart understanding and practice in these important fields and, again, to provide opportunities for cross-fertilisation and learning across activities within PSCDP and, possibly, across AusAID programs and (later) other government and donor programs. The first workshop – on capacity development – was held on 2 August 2007 and a second on the same topic was held on 18 September; a workshop on HIV/AIDS prevention was held on 28 September.

119. Workshops on sound governance and on monitoring and evaluation are under preparation. It is intended that gender questions form an integral part of all seminars and workshops on other topics rather than a separate series.

120. **Senior management discussion forums:** These forums are designed to help our main Program counterparts and their senior staff to address questions of strategic management and practical management issues that they face in their day-to-day work. Uncertainties surrounding the formation of the new GoTL have delayed the continuation of this activity.

121. The dinner/seminar series, the workshop series, and the senior management discussion forums provide regular opportunities for professional development and continuous learning among all PSCDP advisers and counterparts.

## 2.4 ADS Program and NZAID Study Awards

122. **Final selections, announcement of awards, and pre-departure activities:** These took place as follows:

- Final selection interviews for awardees were conducted on schedule from 12-15 February.
- The names of the twelve recipients of ADS awards for this year were published in the press in March 2007.
- Medical checks, visa applications, and travel arrangements were made in April.
- During March, April, and May, ADS awardees were placed in university courses through Scholarships Information Management Online (SIMON).
- On the 23rd and 24th May 2007, a two-day pre-departure briefing was conducted for the 12 ADS awardees and 1 reserve candidate.
- A function to farewell departing ADS awardees and to welcome back ADS/EDUKA students who had completed their studies was held on 22 June 2007. The Australian Ambassador to Timor-Leste was among the guests of honour and made a welcoming and farewell speech.

123. **Student departures and preparatory programs of study:** Table 5 sets out departure dates and the programs to be attended by awardees before the commencement of their formal studies.

<b>Table 5: ADS Awardees' Departure Dates and Preparatory Programs</b>		
<b>No. of awardees</b>	<b>Departure date</b>	<b>Program</b>
4	May and June 2007	Introductory Academic Programs
3	July 2007	Introductory Academic Programs & Pre-course English (PCE)
2	October 2007	Pre-course English (PCE)
2	November 2007	Pre-course English (PCE)
1	January 2008	TAFE

124. **Student progress:** From 16 to 26 March 2007, the ADS Manager visited ADS students in a number of universities in Australia and Indonesia. Most students are performing satisfactorily. Eighteen students are expected to finish their studies in 2007 - eleven of this number in the first semester of 2007.

125. The civil unrest in Timor-Leste over the past year has been a significant source of stress and an understandable distraction for many students. In a small number of cases, it has had an adverse effect on academic progress. The liaison officers at all universities have done as much as they can to provide counselling and other forms of support.

126. **Student liaison and support by PSCDP:** All of the requests for variations that have been generated through SIMON so far have been processed on time and in accordance with the ADS Guidelines.

127. The ADS office has also arranged medical checks and travel and helped with visas for awardees' dependants.

128. Progress of the ADS and NZDS Programs is in line with the work plan contained in the PSCDP 2006-2007 Annual Plan. A work plan for the ADS, NZDS, and ALA Programs for the next twelve months is set out in Annex A.

129. **English language and IELTS:** This continues to be a major constraint on the number of qualified applicants. This year the situation has been worsened by the civil disturbances and the consequent unavailability of IELTS teachers and hence IELTS test preparation courses that would normally have been offered by the local private sector provider. It was therefore necessary this year for PSCDP to commission a special course for short-listed ADS applicants, which was conducted on schedule in Dili.

130. However, the continuing unpredictability of the security situation is likely to mean that the private sector provider may not resume normal business for some time. Other local providers are considered not to provide good value for money. Under these circumstances, the Program has been reluctant to proceed with the provision of some form of scholarship support for IELTS preparation. This raises the broader question of the need for a well-credentialed and staffed English language training institution in Timor-Leste.

131. Marketing of the Program during 2007-2008 is discussed briefly in Section 3.4 below.

## 2.5 Australian Leadership Awards

132. The PSCDP assumed responsibility for the management of the Australian Leadership Awards (ALA) programme for Timor-Leste in April 2007. The ALA programme was formally launched by the Australian Ambassador to Timor-Leste on 20 April 2007 at a ceremony held in Dili.

133. **Promotion:** Advertising of the awards commenced soon thereafter. During the first three weeks of May 2007, ALA promotional fliers were distributed to government and other organisations and advertisements were placed in three national news papers, and on national radio and TV.

134. From 6 to 16 July 2007, the ADS/ALA Manager attended OASIS Training in Canberra.

135. **Applications:** A total of only five ‘hits’ were registered on the OASIS system and, from among these, only three applications were lodged. The small number of applications is likely to be due to the following factors. First, the high level at which the ALA is pitched means that the pool of potential applicants in Timor-Leste is small. Second, the size of this pool is diminished further by limited English language capabilities among potential applicants. Third, the lead-time for advertising for this year was curtailed by the (late) timing of the agreement concerning PSCDP’s management responsibility for the ALA. Most importantly, fourth, the requirement for applicants to have obtained an unconditional offer of admission to higher degree studies at an Australian university is likely to have had a significant limiting effect on the number of applications received. This is because obtaining such admission is not straightforward and requires an understanding of the higher education system in Australia that may not be widely distributed in Timor-Leste, and considerable time to arrange.

136. The ADS/ALAS office of PSCDP provided information and helped potential candidates to prepare documents and to submit their applications online. Applications closed on 31 July 2007.

137. **Selection:** Selection took place in August and September 2007. Final decisions concerning awards will be made in Canberra in September/October 2007 and successful applicants will be informed in October 2007. Preparations for the commencement of study in Australia will take place during the period October-December 2007.

138. The marketing strategy for the financial year 2007-2008 is discussed in Section 3.5 below.

### **3. Implementation Strategy and Planned Support**

139. As is to be expected, to date, the implementation strategy has followed that set out in the first PSCDP Annual Plan. This strategy is consistent with the philosophy and policy emphases of the new GoTL, and will therefore be likely to continue (See Section 5.1, pp. 28-29 of PSCDP Annual Plan 2006-2007). The quality of Program achievement will also continue to be a function of the factors listed in that section of the first Annual Plan (see, in particular, paragraph 118, p. 29).

#### **3.1 Design Emphases**

140. The design emphases and underlying rationales set out in the PSCDP Annual Plan 2006-2007 remain valid – see, in particular, pp. 15-23 of that report. These arguments will not be repeated here.

141. The strategic directions set in the first PSCDP Annual Plan have been adhered to and are reflected clearly in Program Activities that have been implemented to date or are in the process of being implemented. These strategic directions are consistent with the policies of the new GoTL and are supported by the detailed contextual analysis conducted earlier in this document.

142. As indicated above and below, prospects for taking a more proactive stance on certain Additional Initiatives will be examined, particularly in relation to the improvement of deconcentrated service delivery in ministries such as education,

agriculture, and health. For the reasons given in Section 1.2, wherever possible, the Program will examine ways for increasing its direct and immediate impact on poverty reduction and combating perceptions of social exclusion.

### 3.2 Program Activities

143. The financial projections contained in Annex B and discussed in Section 7 below demonstrate that there is little or no scope for financing new programming in this category of Program business during the planning period. Activities designed last year that are being implemented now will expand slightly during the course of the year soaking-up nearly all available funding in this category.

144. Specifically:

- In ACT026, 'Support to the Implementation of Civil Service Regulations – INAP', the international adviser position will be extended by 8 months so that it overlaps with periods of tenure of the two recently-appointed curriculum development advisers.
- In ACT 027, 'Management of Adviser Effectiveness: demographics Database – Ministry of Finance (aid effectiveness)', the international adviser position will be extended by between 6 and 8 months spread over one year to accommodate the greater than anticipated workload arising from the broad definition of 'adviser' favoured by stakeholders.
- In ACT031, 'Development and Dissemination of Human resource Plan – Ministry of Finance (aid effectiveness)', the international adviser position will be extended to the end of the planning period (6 months) and probably beyond to accommodate the greater than anticipated volume and complexity of work that initial assessments of available data and questions of data accessibility indicate will need to be undertaken.
- Applications have been made for two Australian Youth Ambassadors (AYAD) to support Program Activities in INAP and one AYAD to do likewise in the Ministry of Finance (aid effectiveness). If the applications are successful, the AYAD will commence in March 2007.

145. The current status of all Program Activities is outlined in Table 3 above. The breakdown of projected expenditure for Program Activities by key counterpart agency is depicted in Figure 2 in Section 7 below.

### 3.3 Additional Initiatives

146. Section 7 below demonstrates that there is greater scope for financing new programming under this category of Program business than there is under Program Activities. To date, new Additional Initiatives have been difficult to predict and this will continue up to a point, although as stated earlier the Program intends to become more proactive and planned in this domain. Projections of the distribution of expenditure by government agency – which for the reason just given are based simply on extrapolations from existing activities in this category - are depicted in Figure 3 in Section 7 below.

147. However, during the course of the planning period, the prospects for the strategic management of at least some of the financial resources earmarked for this category will be explored. In particular, where AusAID/PSCDP have an existing interest in a field that is central to poverty reduction and SHD – such as health or

education<sup>39</sup> or agriculture - possibilities will be investigated for supporting deconcentrated service delivery, thereby adopting a more proactive stance in relation to programming in this category.

148. One possibility that is being examined concerns the provision of support to district authorities for the production of HIV/AIDS prevention plans, which are a necessary 'trigger' for financing under the Global Fund. The relatively high prevalence of sexually transmitted infections among the indigenous population creates fertile ground for the spread of HIV, which could quickly become more of a problem than is currently envisaged thereby putting considerable additional pressure on the paths out of poverty.

149. Further possibilities for proactive programming exist in relation to anti-corruption and issues surrounding land titling. Activity proposals in these areas are being developed.

150. An application has been lodged for AYAD support to the PSCDP additional initiative in the Ministry of Health (one) and opportunities are being explored for the provision of such support to other Additional Initiatives.

151. The current status of all existing Additional Initiatives is outlined in Table 4 above. The breakdown of projected expenditure for Additional Initiatives by government agency is depicted in Figure 3 in Section 7 below.

### **3.4 ADS Program and NZAID Study Awards**

152. The marketing strategy adopted for the ADS and NZAID awards during the first year of the Program was extremely successful, resulting in a substantially higher number of good quality applicants than in previous years; and more women applicants. As a result of this, the number of ADS awards was increased by 50% and the number of NZAID awards was doubled from 3 to 6. Accordingly, the marketing strategy adopted in 2006-2007 will be repeated in 2007-2008.

153. Changes may also be made to the processes surrounding the allocation of awards between ADS and NZAID; the approval of selection panel composition (and the inclusion on the panel of an NZAID representative); and opportunities for the briefing of applicants by each scholarships program.

### **3.5 Australian Leadership Awards**

154. In 2007-2008 the marketing strategy for the ALA will give particular attention to the two main constraints discussed in Section 2.5 above, namely, those having to do with the requirement that applicants should possess an unconditional offer of admission to an Australian university higher degree programme, and English language capability. Dealing with the first of these constraints may be addressed by: holding regular information sessions that improve potential applicants' understanding of how the Australian university system works; helping them with the lodgement of applications; and counselling them on the selection of programmes of study and institutions; and so on.

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<sup>39</sup> For example, Chauvet and Collier (2007) present empirical evidence to show that expenditures on education dramatically reduce (by almost half) 'the expected duration of state failure' (p. 14). See footnote 11 for full reference.



### 3.6 PSCDP Office Location

155. The first PSCDP Annual Plan 2006-2007 proposed a notion of co-location that has since been put into good effect (see footnote 28 on page 29 and discussion in Annex C of PSCDP Annual Plan 2006-2007).

156. The first Annual Plan also suggested that, among other things, 'exigencies of office space at CDCU' made PSCDP/CDCU co-location impracticable. Following the appointment of the new GoTL, CDCU has since been abolished and Program Activities located there have been reallocated as indicated above in the Program Outline.

157. The institutional development of counterpart institutions is proceeding very well under existing arrangements, and the other business interests of PSCDP are well served by its current office location, although the growth of the Program may soon require larger office premises to be found.

### 4. Cross-Cutting Issues

158. Unsurprisingly, Program experience to date confirms that adviser understanding and knowledge of cross-cutting issues such as capacity development, sound governance, gender, sustainability, and corruption is uneven and in some cases quite poor. Even with careful recruitment and selection it is difficult to find people who are knowledgeable and experienced in all of these areas. As suggested in the studies reviewed in Section 1.2 above, it is therefore necessary to take steps to strengthen the capabilities of advisers in these respects. The steps being taken by PSCDP, or planned, are discussed briefly below. In all cases, the Program's aim is to move beyond the rhetoric to clarity of understanding followed by concrete action.

159. Other practical steps to improve the Program's contributions in these areas are also being taken, including: the employment of counterparts; applied research; and promotional activities that are designed to raise awareness and improve understanding of some of the issues in host agencies and more broadly.

160. Two related dilemmas arise however. First, how far to go, that is, if the notion of continuous learning and improvement is applied to these issues, should it mean that workshops of the type discussed below become a permanent feature of the Program or should it be taken that once the appetite for learning in these fields has been whetted, continuous learning should become self-generating and self-sustaining? The second dilemma is how much to spend, that is, when does the size of the overhead become too much to bear – from the points of view of the funding agency and of the host government? In order to keep costs within reason, our inclination is to 'get the ball rolling' with workshops and other activities that build awareness and understanding and then to hold such workshops occasionally for the purpose of illustrative case discussion only. If demand for them falls, they will be allowed to die a natural death. Advisers (and counterparts) themselves will be encouraged to assume responsibility for the organisation of workshops.

161. Our views of the notions of capacity development, gender, and sustainability remain as expressed in the PSCDP Annual Plan 2006-2007.



#### 4.1 Sound Governance

162. Sound governance is fundamental to all of the activities supported by PSCDP. It is therefore vital that advisers know what it means, how it can be improved, and what forms it takes in Timor-Leste so that they are able to optimise contributions to its attainment. Our view of governance follows recent widely received thinking on the subject, which defines it as: "the exercise of political, economic and administrative authority to manage a nation's affairs...Governance embraces all of the methods - good and bad - that societies use to distribute power and manage public resources and problems. Sound governance is therefore a subset of governance, wherein public resources are managed effectively, efficiently, equitably, and in response to critical needs of society. Effective forms of governance (frequently) rely on public participation, accountability and transparency. Many observers think that the primary purpose of effective democratic forms of governance should be to promote sustainable human development (SHD). ...the definition presented here focuses on three important domains of governance that directly contribute to achieving SHD. These include the state (political and governmental institutions), civil society organisations and the private sector" (UNDP, 1997, p. 9).<sup>40</sup> This definition is used by national governments in different parts of the world (for example, see Republic of Rwanda (2002). *National Strategy Framework Paper on Strengthening Good Governance for Poverty Reduction*. Kigali: Ministry of Local Government, Information and Social Affairs' – quoted in Musoni, 2003).

163. As with the other cross-cutting issues mentioned, adviser understanding and skills in this area will be improved mainly through holding workshops on governance topics, including institutions of governance in Timor-Leste and their inter-relationships. Some of this will entail presentations by PSCDP advisers on the condition of different aspects of GOTL governing institutions, such as the legal and judicial system.

#### 4.2 Capacity Development<sup>41</sup>

164. Recent research on 'state capacity'<sup>42</sup> building in Timor-Leste<sup>43</sup> among other things suggests that conventional views of it adopt a 'technicist' (or, what we call above, a functionalist) approach, that is, one that focuses on the transfer of capability at the individual, organisational and institutional levels (and treats this solely as a technical issue), but which takes insufficient account of potentially countervailing socio-political interests and informal factors that can operate at all three levels. An example is given of the way in which Portuguese language (spoken by only about 5% of the population) and culture – favoured by the Alkatiri government – impeded the conventional functionalist (capitalist) agenda of the major Western donors in the development of education and the production of a skilled and compliant labour force. Rosser (2007) uses these tensions (between groups of donors and between certain donors and the then government) to explain the significant differences observed between developments in education and health in the country

<sup>40</sup> See UNDP (commissioned authors: P. Blunt & D. Rondinelli) (1997). *Reconceptualising Governance*. New York: UNDP, pp. 93.

<sup>41</sup> For a comprehensive account of conventional (functionalist) views on the subject, see: CIDA (1997). *The Design and Use of Capacity Development Indicators*. Mimeo, pp. 55.

<sup>42</sup> State capacity is generally defined as the ability of the state to formulate and implement strategies to achieve economic and social goals in society, and the processes it uses to do this.

<sup>43</sup> See Rosser, A. (2007). *The Political Economy of State Capacity-Building: Insights from Timor-Leste*. Adelaide: University of Adelaide, Discipline of Anthropology, mimeo, pp. 41.

since independence – the argument being that the latter is much less susceptible to language and cultural interference than the former. He states, ‘whereas the delivery of basic health services led to remarkable improvements in immunization coverage rates and some improvement in the number of people with access to clean water, for instance, there is little evidence to suggest that the delivery of basic education services improved school students’ skills and abilities’ (p. 20).<sup>44</sup>

165. As indicated in Section 2.3 above, PSCDP has instituted a series of workshops directed at improving adviser and counterpart knowledge and understanding of capacity development so that advisers can do more and better capacity development in their areas of responsibility. The first workshop was led by PSCDP core advisers, and presented a conventional functionalist view of the topic. However, later workshops in the series will entail presentation and discussion of capacity building work that is being done by PSCDP advisers and their counterparts, and will be organised by them. These workshops will also consider (mainly functionalist) constraints to capacity building, but may include consideration of the sorts of issues raised by Rosser (2007) in his analysis of state capacity building in Timor-Leste. To date, two such workshops have been held.

#### 4.3 Anti-Corruption

166. Real or imagined corruption lies at the heart of perceptions of social and economic exclusion. Corruption in the public sector flourishes in the absence of clear and enforceable regulations governing all aspects of procurement, appointment, promotion and reward. Its prevention and management also requires government oversight and prosecution services that work effectively, transparently, and impartially. Civil society organisations and the media can exert pressure on government and also have a vital role to play.<sup>45</sup>

167. As indicated in Table 1 above, a number of PSCDP activities address these questions directly, and these activities will be strengthened.

168. PSCDP adviser capacity building in this area is under development, but is likely to entail some combination of workshops for advisers and information provision to counterparts that raises awareness and improves understanding of institutional anti-corruption roles in government and means of recourse open to individuals who feel they may have fallen victim to corruption.

169. It is possible that the Program may be called upon to play a role in relation to anti-corruption that extends beyond PSCDP’s normal boundaries to include responsibility for certain (yet to be defined) aspects of other AusAID-financed activities in this area.

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<sup>44</sup> We agree with the general argument, although its expression pays insufficient attention to the multivariate nature of the independent variable side of the equation and the difficulties posed for making causation inferences about one as opposed to another such variable. That is to say, relative developments in both sectors will have been subject to a variety of other influences, none of which has been – or could have been – controlled for, thereby making problematic assumptions about the influence of language and culture, which will in any case have been a factor in both domains.

<sup>45</sup> See Australian Government (2007). *Tackling Corruption for Growth and Development: A Policy for Australian Development Assistance on Anti-Corruption*. Canberra: AusAID, pp. 18.

#### 4.4 Gender

170. “Fragile states have high gender disparities and a low human development rank, with high maternal mortality, high rates of female illiteracy, markedly lower incomes for women than men, and weak social protection for women and girls. Conflict and disaster have disproportionate negative impacts on women and children”.<sup>46</sup> All of these observations apply to Timor-Leste (see Section 1.1.3 above).

171. Occasional workshops on gender will be held during the planning period, the first of which is being designed. As with capacity development and other cross-cutting issues, later workshops in the series will entail discussion of live examples from PSCDP activities. The gender dimensions of other cross-cutting issues – for example, capacity development and HIV/AIDS – will also be brought out.

172. In addition, the Program will:

- a. Do everything to ensure that the Civil Service Act and guidelines for its implementation provide equal opportunities for women and for men and that codes of conduct protect women and men from harassment, sexual abuse and intimidation
- b. Ensure that the Program’s own recruitment and selection procedures give equal opportunities to women and to men
- c. Explore opportunities for raising awareness among women about human rights and access to justice
- d. Explore opportunities for involving women’s civil society organisation in Program Activities and for strengthening women’s civil society organisations;
- e. Consider ways in which Program Activities can be directed at helping to improve women’s access to health and education services and improving the economic status of women, particularly through support to deconcentration
- f. Examine possibilities for providing support to women-led or women-owned enterprises
- g. Explore opportunities for protecting women’s rights in property law and increasing women’s ownership, control over, and use of land and other productive assets
- h. Improve the gender sensitivity of Program M&E tools

173. The Program will do all that it can to encourage its advisers to take personal responsibility for achieving practical gender-favourable results in their areas of work.

#### 4.5 HIV/AIDS

174. The relatively high incidence of sexually transmitted infections in Timor-Leste creates fertile ground for HIV transmission, making this a potentially significant public health issue. The structure and rapid growth of the population (43% of the population is under the age of 15; and the female fertility rate of 7.0 is one of the highest in the world)<sup>47</sup> and high levels of rural-urban drift contribute to this.

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<sup>46</sup> See Australian Government/AusAID (2007). *Gender Equality in Australia’s Aid program – Why and How*. Canberra: pp. 42.

<sup>47</sup> Source: UNDP (2006). *Human Development Report 2006 Timor-Leste*. Dili: UNDP.

175. A workshop on HIV/AIDS awareness was held for advisers and counterparts on 28 September 2007. Promotional posters are displayed and brochures are made available at all PSCDP activity work sites.

176. Gender issues will be brought out in this workshop. According to the World Bank (2004)<sup>48</sup> and others, gender inequalities underlie the spread of the HIV/AIDS epidemic, and manifest themselves in a number of ways, most notably in terms of:

- Norms that require females to remain ignorant, passive, subordinate and faithful in sexual relations, while allowing men greater access to knowledge and greater license to behave as they wish
- Vulnerability factors that are gender-related, such as: long-distance employment (men); incarceration and armed forces (men); legal access (women); and commercial sex (men and women); and physiological differences (women)
- Imbalances of power within the household and family, particularly the economic dependence of women on men
- Female responsibility for care giving, which reduces women's and girls' participation in productive economic activities and opportunities for education
- Violence against women

#### 4.6 Sustainability

177. This question is being addressed partly by virtue of the fact that it is an integral part of all of the other topics and is best discussed in relation to them rather than as a special topic in itself. In addition, an immediate practical contribution to sustainability is being made through the appointment under PSCDP of counterparts to its Program Activities.

### 5. Monitoring and Evaluation

178. Summary data on PSCDP-managed activities and selected issues (sustainability and gender) are presented and discussed in Annex C. Among other things, Annex C provides useful direction to the capacity development of advisers (Section 4 above), suggesting, for example, that in addition to capacity development itself, adviser understanding of 'sound governance' and 'sustainable development' needs to be improved so that advisers are better able to see how their work bears on these matters.

179. Other M&E data are presented in Tables 3 and 4 above.

### 6. Financial Expenditure July 2006 – September 2007

180. **Program Activities:** For the financial year 2006/7, expenditure on Program Activities amounted to \$0.749 million (see Annex B). Expenditure for the first three months of the financial year 2007/8 is also set out in Annex B.

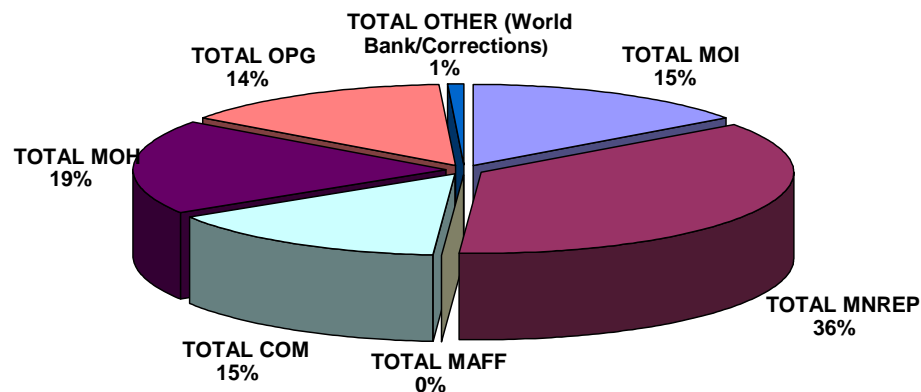
181. **Additional Initiatives:** For the financial year 2006/7, expenditure on Additional Initiatives amounted to \$2.219 million (against an estimate of \$2.25 million made in the PSCDP Annual Plan 2006-2007). A breakdown of expenditure by

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<sup>48</sup> See World Bank (2004). *Integrating Gender issues into HIV/AIDS programs: An Operational Guide*. Washington, DC: World Bank, pp. 38.

government agency is set out in Figure 1. The balance of expenditure – between Program Activities and Additional Initiatives - reflects the preponderance of inherited or novated contracts in the PSCDP portfolio during the first year of operations and the fact that PSCDP-designed activities clearly had not had time to get underway.

**Figure 1: Additional Initiatives Actual Expenditure FY06-07**



182. Financial data presented in the next section demonstrate how the balance between the two categories of PSCDP activity during 2007/8 shifts towards Program Activities, as activities designed during the course of 2006/7 get underway.

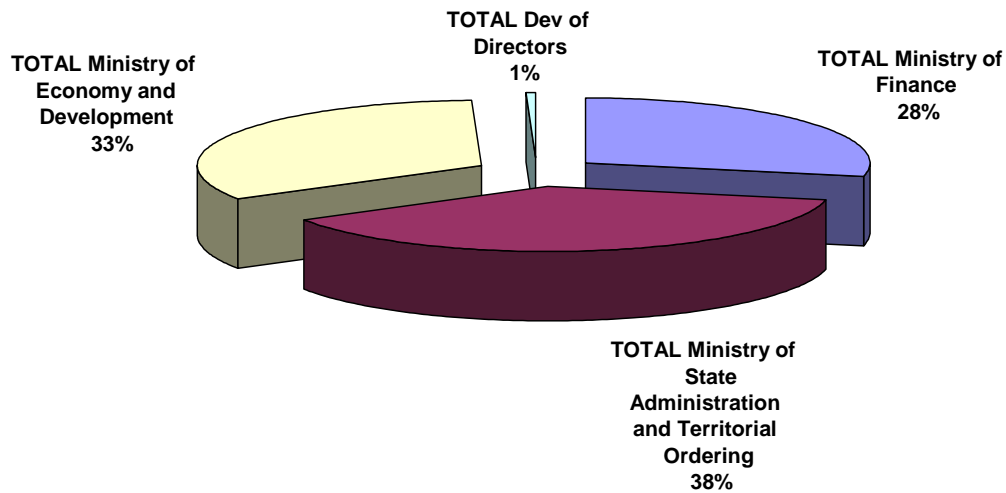
## 7. Financial Projections July 2007 - June 2008

183. **Program Activities:** The total (overall) projected expenditure<sup>49</sup> on Program Activities for the period July 2007 to June 2008 is \$2.645 million, which represents slightly over 100% of available funds in this category. This figure includes a certain amount of Program development that will take place over the next couple of months, as set out in Section 3.2 above. It also includes projected expenditure for the development of medium term expenditure frameworks - which may not take place at all - and this expenditure allowance is structured in a way that permits partial use, thereby providing a budgeting cushion to the projected over-expenditure outlined above.

184. Expenditure peaks in August/September 2007, and then tails off to June 2008, thereby creating some scope for business development in the first half of the calendar year 2008 for funding in financial year 2008/9. The approximate projected distribution of program activity expenditure by government agency is depicted in Figure 2 below. Activity expiry dates are set out in Annex A.

<sup>49</sup> Overall projected expenditure includes activities approved or endorsed by the PMG and AusAID - and are therefore formally 'on the books' - and projections based on judgements concerning the likelihood that the activities in question will be extended but such extensions have yet to be formally approved by the PMG and/or AusAID.

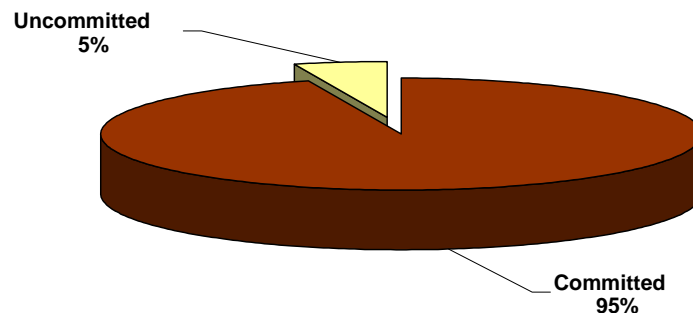
**Figure 2: Program Activities - Projected Expenditure FY 07/08**



185. In Figure 2, the activities comprising each segment are as follows:
- **Ministry of Finance:** adviser demographic database; and adviser effectiveness
  - **Ministry of Economy and Development:** workforce planning; and support to Sector Working Groups
  - **Ministry of State Administration and Territorial Ordering:** civil service act training; curriculum development and other training for the civil service; drafting, dissemination, and implementation of civil service act procedures and guidelines
  - **Professional development of directors:** conferences; twinning arrangements and work placements; and education and training

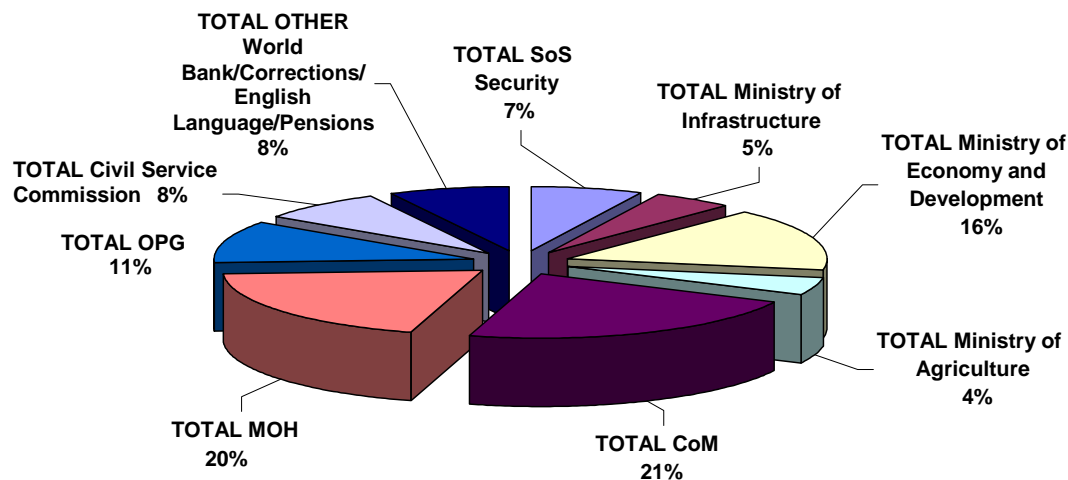
186. Figure 3 below depicts projected expenditure for Program Activities broken down according to whether or not such projected expenditure has been approved by the PMG and AusAID - and is therefore formally 'on the books' – referred to as 'committed'; as opposed to projected expenditure that is based on judgements concerning the likelihood that the activities in question will be extended but have yet to be formally approved by the PMG and/or AusAID – referred to as 'uncommitted'.

**Figure 3: FY 07/08 Committed/Uncommitted Projected Program Activity Expenditure**



187. **Additional Initiatives:** The total (overall) projected expenditure on Additional Initiatives for the period July 2007 to June 2008 is \$2.35 million, which represents about 87% of available funds in this category. There is clearly very limited scope for business development in this category during the course of the coming year. The projections are based partly on judgements concerning likely extensions of existing activities – see footnote 50 above. The approximate projected distribution of additional initiative expenditure by government agency is depicted in Figure 3 below.

**Figure 4: Additional Initiatives – Projected Expenditure FY 07/08**

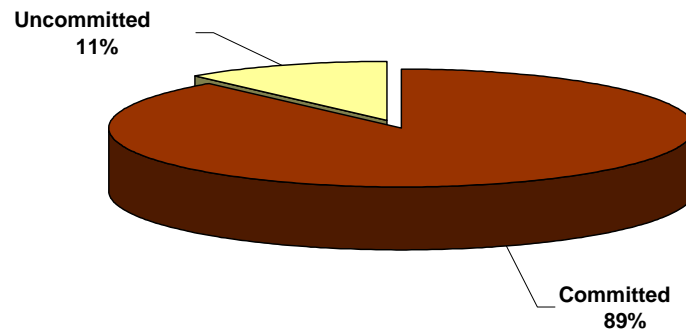


188. Figure 4 shows the continuing variety of institutional recipients of additional activity support, and confirms the expectations set out in the PSCDP Annual Plan 2006-2007, which anticipated reduced support for OPG. Projections concerning expiry dates for activities are set out in Annex A.

189. Figure 5 below depicts projected expenditure for Additional Initiatives broken down according to whether or not such projected expenditure has been endorsed by the PMG and AusAID - and is therefore formally 'on the books' – referred to as 'committed'; as opposed to projected expenditure that is based on judgements concerning the likelihood that the activities in question will be extended but have yet to be formally endorsed by the PMG and/or AusAID – referred to as 'uncommitted'.



**Figure 5: FY 07/08 Committed/Uncommitted Projected Additional Initiatives Expenditure**



190. A full breakdown of Program expenditure to date and projections for the financial year 2007/8 can be found in Annex B.