

Timor-Leste

AusAID Rural Water Supply &
Sanitation Program (RWSSP)

Monitoring & Review Group

October 2008 Visit

Final Report



Base 802931 (C00473) 2-03

Monitoring & Review Group (MRG)

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Summary of MRG Recommendations

| Para | Recommendation | Action by |
|--------------------------|--|------------------------|
| 7 | Further discussion required on disconnect between government targets and currently-projected capacity to deliver | RWSSP & Post |
| 12 | Discussion required with government on preferred structure of MRG missions | Post |
| <input type="checkbox"/> | Greater use of existing government structures and processes in program governance | IDSS & Post |
| 27 | WoPLWP to assume a budget of AUD 28.7 million | IDSS |
| 29 | WoPLWP to acknowledge PSRG priorities | IDSS |
| 31 | WoPLWP to be more outcome-focused | IDSS |
| 35 | No external Peer Review recommended, but continuing involvement of MRG in finalising WoPLWP | Post & IDSS |
| 38 | Review emphasis of program on water and sanitation in schools and clinics | IDSS |
| 42 | Look at impact of climate change on design of government programs | IDSS |
| 47 | Incentive-based model for any additional AusAID finance available for Timor water & sanitation | Post & AusAID Canberra |
| 49 | RWSSP to help define roadmap for moves towards greater use of government systems / incentive-based finance | IDSS & Post |
| 50 | Importance of harmonisation and USAID overtures | IDSS & Post |
| 61 | Reflect on M&E Framework and its pitch / utility | IDSS |
| 63 | Assist government in defining sector performance framework | IDSS |
| 69 | Look towards joint reviews with other development partners | Post |

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Monitoring & Review Group (MRG)

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This Visit and its Report

1. The Monitoring & Review Group¹ (MRG) visited the Timor-Leste Rural Water Supply & Sanitation Program (RWSSP), 6–10 October 2008, after the scheduled completion of the program's design phase and submission by IDSS² of a draft *Whole of Program Life Work Plan*. The conclusions of a coincident meeting of the high-level *Policy Steering & Reference Group* (PSRG) also shaped the MRG's conclusions.

2. The Group met senior government officials from the Ministries of Infrastructure and Health and other agencies and NGOs involved in the sector (CNEP, NDI, Oxfam, UNICEF, USAID and WaterAid) and held a number of discussions with the RWSSP / IDSS team and AusAID Post. The team also visited a rural water supply and sanitation scheme at Lotan. A list of persons met is at Annex 3.

3. The MRG's observations and principal recommendations were presented to stakeholders on the last day of the mission and noted in an Aide Mémoire (Annex 2). That Aide Mémoire and its recommendations remain as a standalone document of record. This report therefore complements rather than supersedes the Aide Mémoire and is structured around the three areas that the MRG was tasked to consider (TOR at Annex 1), viz.:

- Policy;
- Programming;
- Monitoring, Evaluation and Data.

¹ Comprising Peter Bazeley (independent consultant and Team Leader), Sr Amaral (Timor-Leste Ministry of Health), Carol Bellew (IDSS Operations Manager and RWSS Program Director), Darian Clark (AusAID Timor-Leste Desk, Canberra), Sr Elias Moniz (Timor-Leste Dept Water & Sanitation District Water & Sanitation Division) and Marcus Howard (AusAID Infrastructure Adviser, Canberra). Jennifer Donohoe (AusAID Office for Development Effectiveness) also joined the team for this visit. Natalie McKelleher and Jose Perreira from Post accompanied the MRG in many of its discussions.

² IDSS: International Development Support Services Pty Ltd, the managing agent contracted to design and implement the program.

Policy

Progress since the last MRG

4. The substantive recommendations of the first MRG have been taken up and there has been considerable progress in their implementation and/or incorporation in RWSSP's final design. In particular:

- The distinction between the RWSSP as a bilateral development intervention and a broader government-owned sector strategy/program has been made with the publication of the government's Rural Water, Sanitation and Hygiene Sector Strategy (RWASH-SS). A significant development, which RWSSP helped to bring about. Gratifyingly this sector strategy is now also being used as the basis of other donors' intervention, in particular that of USAID.

There are plans, reflected in the RWASH-SS and WoPLWP, to refine further the sector strategy. This will also provide an opportunity to bring other development partners along with it while also deepening government's ownership.

- The scope of the RWSSP and its proposed work-plan and skill-sets have been expanded to capture the requirements of further developing, over time, the concept of a sector-wide or program-based approach, including support for (among other things) policy development, financial management and alignment and harmonisation of donor inputs around a government strategy.
- Governance structures have been refined, such that the higher-level structures are concerning themselves with delivery of the wider government strategy. This also paves the way for a single structure to have oversight over other donors' interventions as well as RWSSP. Further development of program governance was proposed at the PSRG, better to utilise existing structures and processes (para ☐ below, and Annex 4).

5. At present there remains a disconnect (highlighted in the last MRG's report) between government's ambitious MDG-related targets for rural water supplies and sanitation and the much more limited capacity and means to deliver – even with RWSSP's assistance – is to be resolved. The PSRG has debated this, and the targets will likely now be revised. At the same time, the MRG was reminded during this visit of the government's continuing desire, expressed at a coincident PSRG meeting, to see more rapid progress on the ground in delivering water infrastructure to rural communities, perhaps – to an extent – at the expense of focusing on sanitation or government capacity to manage and deliver water infrastructure. RWSSP remains firmly grounded on a capacity-building model.

6. This trade-off is potentially problematic. While RWSSP remains committed to progress on the ground, this requires safeguarding and maintaining new infrastructure and previous investments through capacity-building approaches. RWSSP's capacity-building model allows the government to develop the resources to

be able to scale-up their delivery of water and sanitation infrastructure to communities.

7. We **recommend** that this disconnect still needs to be explored, discussed and its implications made clear. Otherwise there is bound to be disappointment or frustration.

Government and stakeholder ownership

8. As above, the publication of the RWSSP-inspired but government-owned Rural Water, Sanitation and Hygiene Sector Strategy was a significant step forward, bringing with it endorsement of sector policy and programming from the highest levels of government. All involved are to be congratulated.

9. Inevitably this particular document reflects its roots in RWSSP and there is probably more to do to over time to deepen ownership of its implementation - by the way RWSSP goes about its business and by its respect for and responsiveness to government policy as it develops.

10. Indeed, a real test not just of RWSSP responsiveness but of AusAID's alignment behind government-owned policies will be the extent to which RWSSP can meaningfully respond and adapt to the PSRG's call for a more ambitious infrastructure-based program³.

11. The MRG itself needs to become a vehicle for enhancing government ownership. The MRG included two government representatives this time, which was most useful. However the MRG's discussions and interests do undoubtedly focus on AusAID interests and perspectives (and AusAID-generated TOR), and we need to think about how we can structure the MRG such that there is genuinely space in it, and in its discussions, for government to engage.

12. One avenue to explore might be the utility of a more structured seminar on day one – involving other donor-funded WatSan programs too – in which progress, issues and options are tabled through well-prepared presentations by the team, by government and by involved development partners. Exploring those issues and options further, through meetings and visits, could then follow - but the agenda for that would relate to the issues identified together with government. (And outcomes fed back.) We **recommend** that Post discusses this with government ahead of planning the next MRG mission.

13. The MRG was not able to gauge in any meaningful way the extent to which stakeholders in rural communities 'own' the RWSSP, but it was clear from the field visit that RWSSP's work (and that of its predecessor program) is held in high regard. It will be important for the MRG to continue to keep in touch with progress and sentiment on the ground.

³ While not, of course, compromising program design in terms of lessons learned and alignment with best practice in the sector.

Sector Coordination

14. The original Program Concept Design and MoU for the RWSSP recommended the formation of a *Water and Sanitation Sector Working Group* (WSS-WG), a *Policy Steering and Reference Group* (PSRG) and a *Program Management Group* (PMG). The first MRG was concerned that these governance structures placed too much emphasis (and burden on government) on oversight of RWSSP as a 'project', as opposed to developing oversight functions for the sector development as a whole.

15. RWSSP reports that:

- The WSS-WG was not formed, because it was unacceptable to government (it related to the previous government's planned governance structures);
- The PSRG and an RWASH-PMG have been formed. The PSRG has met three times in 12 months. Other meetings were also held with sector ministries prior to the establishment of the PSRG. The PMG met regularly during the preparation of the Sector Strategy and RWASH Workplan but has had irregularly since. The RWASH PMG has not yet assumed its full responsibility for sector coordination.
- Sub-Working Groups for Sanitation and for Water have been formed and are meeting monthly. These have also proved to be useful forums for coordination of stakeholder activities.

16. The MRG noted the strong steer being given by third meeting of the PSRG that coincided with the MRG.

17. A recommendation has been made through the PSRG to use the existing ministerial working group (the Inter-Ministerial Committee for Economic Development), chaired by the Prime Minister, because it is more closely related to government structures and processes that have come into being since the program's original concept design (Annex 4). The MRG would certainly favour the use of current existing structures over specially formed ones, as this clearly represents good practice, and notes its emphasis on sector (including other development partners' initiatives). On that basis, we **recommend** its further discussion and implementation.

Social accountability study

18. Through RWSSP AusAID commissioned the National Democratic Institute (NDI) to conduct a study into how citizens and local government participate in political processes surrounding water and sanitation service delivery in Timor-Leste. The assessment showed that citizens are active in identifying and raising areas of community concern, but limited resources and structures constrained government responsiveness. As a result, international NGOs and donor agencies are, often at the request of government, filling this gap, working directly with communities to address needs.

19. On the basis of this study, NDI made four key recommendations, focusing on:
- How to improve communication and linkages between government and communities;
 - Increase government presence and coordination, especially at the district level;
 - Enhance DNSAS capacity and NGO coordination mechanisms; and
 - Explore ways to increase the scope of available resources.
20. The MRG noted the importance of these recommendations for the future implementation and performance of RWSSP and the RWASH sector strategy more generally. Specifically, AusAID and IDSS should give further consideration to recommendations (2) and (4) in future policy and programming deliberations.

The RWSSP 'Whole of Program Life Work Plan' (WoPLWP)

21. In line with the recommendations for the first MRG, the preparation of the design phase was extended to ensure that the direction and emphasis of the RWSSP reflected the need to support a government-owned sector strategy, working over time towards more program-based approaches and including more explicit support for policy development, public financial management and public sector reform, and appropriate capacity-building.
22. These imperatives have subsequently been incorporated into the WoPLWP.
23. The WoPLWP represents a considerable amount of work and consultation, and is a sound and comprehensive document. Early drafts were shared with relevant parts of AusAID with favourable feed-back.
24. However, there are some substantive issues to be addressed further, some more significant than others:
25. *Firstly*, the program funds approved and available are now confirmed at AUD28.7 million. Previous AusAID guidance remains that there is a likelihood of further funding becoming available later but recognises that there is discretion for new funding streams partially to offset current funding sources. IDSS's WoPLWP, and contract, must be tailored to the current confirmed funds available, while retaining flexibility, where feasible, to expand the program in the event of additional funding becoming available.
26. Even if additional funding becomes available, the MRG considered a range of options in terms of how any such additional funding could best be channelled in the sectoral environment (47-48 below).
27. We therefore **recommend** that the work-plan be reconfigured to match the approved and available funding of AUD28.7 million, but also identifies how potential supplementary funding might be utilised.

28. In re-presenting the budget and work-plan, IDSS may wish to propose mechanisms for dealing with the unexpectedly wide variation in exchange rates encountered since the original concept design.

29. *Secondly*, we **recommend** that IDSS reflects on the priorities expressed by the October 2008 PSRG meeting of senior government officials, which sought greater emphasis on infrastructure and less emphasis on some of the softer work of capacity-building and stakeholder consultation.

30. The PSRG also questioned management and other costs, and the MRG itself noted the relatively high levels of project-funded supplementary staff and advisory positions. The WoPLWP could better explain the allocation of staff resources to infrastructure delivery (which PSRG wants to see more of) *vs.* softer consultative, analytical and capacity-building and management functions (the scale of which PSRG has some reservations about). RWSSP must also consider the sustainability of the flow of benefits deriving from such substantial project-funded staffing after the program finishes.

31. *Thirdly*, but very importantly, we **recommend** that the WoPLWP document is re-cast such that it focuses much more clearly on *outcomes* and quantifying the scope and scale of the impact that the RWSSP is to have. At present it is almost entirely about intermediate processes, and performance at activity and process level. (See also our comments under *Monitoring & Evaluation*, below.) In doing so, and in the light of PRSG concerns, the document also needs better to explain and justify the approach being adopted (essentially a capacity-building one) and elaborate on the causative linkages between the program delivering its outputs and the predicted outcomes and impacts on people's lives and livelihoods. The extent to which RWSSP's activities are a.) *necessary* and b.) *sufficient* also needs to be discussed, including an analysis of how other initiatives (government or otherwise) complete the picture.

32. *Fourthly*, there seems little point in merely repeating verbatim the text of the government sector strategy in the WoPLWP. The WoPLWP should certainly append the government sector strategy, but the main text of the WoPLWP should constitute an explication of how RWSSP will support the delivery of that government strategy and of how progress towards that end can usefully and pragmatically be monitored and evaluated.

33. Emerging issues of water supplies to, and sanitation in, schools and clinics (paras 36-38 below) and of the impact climate change (paras 39-42 below) should also be addressed more explicitly in the in the revised WoPLWP.

34. A further, new, consideration is the extent to which the parallel 'Water & Sanitation Sector Priority Program' under the AusAID-supported National Infrastructure Plan will complement RWSSP in terms of rural water and sanitation. The report of that program's initial scoping is yet to be published and finalisation of RWSSP's WoPLWP should continue as planned, but RWSSP should certainly consider its conclusions and recommendations when they are made known and assess how they might be accommodated. An early draft seen by the MRG is commendably results-driven and sets out very clearly a number of water and sanitation outcomes

and impacts in the way that we suggest the RWSSP WoPLWP should also be pitched (31 above).

35. We see little added value in the WoPLWP being subject to another level of AusAID *Peer Review* given the membership and scrutiny of the MRG. But we do **recommend** that the MRG, which is essentially constituted as a peer review group, remains engaged (remotely) in reviewing its further development and informing its requisite endorsement by GoTL, AusAID and other stakeholders as appropriate.

Linkages to Health and Education Outcomes

36. An emerging issue is a lack of integration of water and sanitation with health and education programs. A significant number of schools and health centres being built across the country do not have access to a reliable water supply, despite the former being stated as a priority in the 2005 SP-Universal Primary Completion. The main reason appears to be regulatory as water supply from outside the land on which the school or health centre is the responsibility of DNSAS but there is insufficiently effective coordination on this important issue.

37. Lack of access to a reliable and safe water supply makes schools and health centres less effective and will impact on health and education outcomes, as well as future delivery of the RWSSP sanitation and hygiene promotion programs. Access to water and sanitation in schools is known to have positive outcomes for attendance by girls, providing basic facilities will increase the likelihood that girls will attend school and obtain a basic education.

38. In the context of the considerably worse-than-envisaged situation with regard to water and sanitation in schools and clinics, we **recommend** that the RWSSP work plan is reviewed to ensure adequate allocations to increasing the effectiveness of health and education sector programs by providing funds to connect schools and health centres to existing water supplies, and where feasible provide dedicated supplies. (As subsequently requested by the PSRG, including churches and markets.)

Vulnerability to Climate Change

39. Design of water and sanitation systems in Timor-Leste must consider climate variability and the impacts of climate change. The Australian Government takes climate change and its impact seriously. While there is insufficient evidence of current or future effects of climate change in Timor Leste, reports of springs drying up point to the need to design for variability. Rising sea water levels will affect aquifer levels in low lying coastal areas and changing weather patterns from climate change will contribute to the increased frequency of droughts, and floods of greater severity will occur. Longer droughts in East Timor will particularly impact recharge of spring water sources which the more remote communities rely on.

40. Solutions such as deep groundwater bores or larger water storages sized to take into account changed rainfall patterns may be required to provide more a reliable source. Such systems will cost more and require additional investigations.

41. Climate change may also cause the dislocation of populations affected by storms, severe droughts and resultant crop failures - as well as from rising sea levels. Population movement will create humanitarian situations as well as increase demand on urban and rural areas which receive the displaced populations.

42. We **recommend** that RWSSP continues to support Government to develop information sources on the impacts of climate change/variability and to design for the impacts. The program should link with the AusAID-funded CSIRO partnership to support specific research including development of a decision support tool which takes into account longer term seasonal trends to inform designers.

Programming

Possible Implementation Challenges and Solutions for the Next Phase

43. As we have highlighted above and in our first mission, there remains – notwithstanding the assistance of its development partners – a considerable void between the government's MDG-related targets for water and sanitation and the capacity to delivery on them. GoTL acknowledged, at the April '08 PSRG, that these targets were not feasible, but revised targets are yet to come out. There may also be insufficient baseline data on which to form robust targets.

44. RWSSP will not in itself deliver the government's [MDG-related] rural water, sanitation & hygiene (RWASH) targets. Neither will an external program itself create permanent capacity (although it will support capacity-building): capacity is institutional and created by government [and others].

45. So the achievement of RWASH targets is dependent on government making hard decisions on policy, regulation and public expenditure. It is not yet clear that those hard decisions have been made consistently at all levels of government.

46. RWSSP needs to be supporting the tangible expression of a government priority if it is to maintain its validity. Conversely, if it is simply covering the cost of activities to which government has not afforded priority in its policy and public expenditure choices, it will by definition be supporting low-priority objectives.

47. This has influenced our thinking with regard to the allocation of additional funding (beyond the AUD28.7 million, paras 25-27 above) that may become available⁴ to support water and sanitation in Timor-Leste later. Our view is that the availability of those [putative] funds should be linked, to the extent deemed practicable, to the tangible expression of government commitments and efforts and **recommend** that it therefore be provided as incentive-based finance where clear progress is being made by the government in policy, regulation, capacity, resource allocation and budget execution in respect of agreed objectives.

48. Furthermore, where such government engagement and sector performance is in evidence, it is appropriate to examine moving towards channelling such funds through government systems, subject to rigorous assessment of benefits and risks,

⁴ For example under AusAID's Access to Clean Water and Sanitation Initiative.

in line with contemporary imperatives deriving from Australia's implementation of the Paris Declaration and the Accra Agenda for Action.

49. Given the complexities of developing such a funding modality, we **recommend** that RWSSP help GoTL to define a roadmap (including policy, capacity and budgetary triggers) for progression, facilitated by the program and its activities, in close dialogue with AusAID and IDSS. However, it should be emphasised that such funds are not yet guaranteed, and also that where triggers are not met funds would most likely be allocated through other channels.

50. Given the gap between targets and implementation capacity, efficiency of resource allocation is going to be hugely important. RWSSP should take a lead in efforts to support multiple donor alignment and harmonisation behind the government's sector strategy. USAID's enthusiasm also to support such efforts is evident and welcome, and we **recommend** that RWSSP builds on this. (See also 69 below re joint monitoring and review.)

Transition in the Leadership of RWSSP

51. The current RWSSP Team Leader, Alan Smith, is to retire in the next few months, once a replacement has been recruited. The MRG acknowledges Alan's huge contribution to the sector in Timor-Leste and elsewhere, the depth of his knowledge and experience, and his commitment to and leadership of the design process that RWSSP has pursued. We wish Alan well in his retirement.

52. Recruitment and short-listing is underway. MRG is not involved, but we did make the comment that the recruitment needs to anticipate not just the current needs of the program and the sector, but also the likely evolution of aid instruments and ways of working implied by Australia's subscription to Paris and Accra, and all that goes with that. Assisting Timor-Leste's water and sanitation sector institutions to be part of such an evolution, and of being more deeply embedded in government systems, is likely to be one of the principal challenges of the new leadership. Such skills and experience should be emphasised more than geographical experience.

Appropriate Capacity Building

53. MRG did not review RWSSP's capacity-building strategy in any detail on this visit, but noted the thorough and seemingly well-balanced approach described in the WoPLWP. (Note the MRG's previous comments on this, which appear to have been captured in the current WoPLWP.) It is clear however that the scope and scale of capacity-building will need to be revisited in the light a.) of the PSRG's comments (29 above) and b.) adjustment of the RWSSP budget (25-27 above). The cost-effectiveness of providing training (which is just one aspect of capacity-building of course) national, regional and international centres, and indeed of capacity-building functions of program TA, needs to be carefully assessed.

54. In reviewing the revised WoPLWP over the coming weeks, MRG should seek the views, also, of a capacity-building specialist.

Longitudinal Assessment of Progress at Field Level

55. TOR envisaged that the MRG would itself build up over time a longitudinal assessment of progress at field level through repeat site visits, etc. However, while it will be important for the MRG to keep itself apprised of progress and issues on the ground, it cannot possibly (in its necessarily short visits) provide for the degree of monitoring and evaluation that is warranted: this must be a function of the program's substantive M&E activities and relate to its performance framework. (See below.)

Quality at Implementation

56. A separate note provides a provisional assessment of Quality at Implementation against AusAID criteria, for Post's consideration and discussion with RWSSP management.

Monitoring, Evaluation and Data

Note: in the period between drafting and finalising this report, RWSSP have revised their WoPLWP and many of the following issues have been addressed.

57. RWSSP submitted drafts of its M&E and Performance Framework to AusAID and received favourable, even 'best practice', feedback. They are the product of an experienced M&E specialist's consultancy input.

58. However, some members of the MRG found the program's articulation of M&E parameters and systems quite troublesome from the point of view of their utility for tracking *outcomes and impacts*, which clearly has to be their objective in terms of government and AusAID interests. The MRG acknowledges that there are also many lower-level measures at activity level that need to be tracked for internal program-management functions, but these should not confuse or obliterate tracking of higher-level performance management, which is presumably a function of a WoPLWP.

59. RWSSP's [originally-submitted] framework is [was] 26 pages long, and lists [listed] around 120 performance management parameters. Many of these are activity-level indicators. We questioned a.) the usefulness and b.) the practicality of measuring so many low-level performance parameters. In practice few people external to the program will have time to track that many variables. The interpretation of the inevitably partial achievement of so many variables is bound to be extremely complex, and – very importantly – they distract or obliterate real outcome-orientated performance management and mutual accountability between government and donor. This becomes particularly relevant as we move towards greater government ownership and direction.

60. For comparison, and to illustrate the point, a major new AusAID-supported education sector program (elsewhere, but of similar scale) is likely to have just two performance measures (teacher retention and secondary-school drop-out rates) as

the indicators of successful sector reform and improved education outcomes (and, quite probably, the triggers of subsequent performance-linked aid flows).

61. We **recommend** that IDSS reflect further on its M&E framework, as well as how outputs and outcomes are identified and described in the text of the WoPLWP, and consider a much more focused but strategic set of performance measures for external use. (Acknowledging that internal program management will likely require a possibly different set of performance parameters.)

62. Part of the problem is that the sector strategy itself has no performance framework for sector reform and water and sanitation outcomes – other than the MDG-related targets which are seen as being overly ambitious. This becomes an increasingly important issue as we move towards the implementation of Paris and Accra principles of government ownership, alignment, harmonisation, managing for results and mutual accountability – all of which require good data and a common understanding of expected outcomes.

63. We therefore also **recommend** that RWSSP continues to help define the data requirements and performance measurement of the government's sector strategy as a whole.

ODE Water & Sanitation Evaluation

64. The Office of Development Effectiveness (ODE) is conducting an independent evaluation of Australian assistance to the delivery of water and sanitation services to the poor. This will involve fieldwork in East Timor in late 2008. As part of the preparations for the evaluation, a representative from ODE participated in the MRG mission in order to discuss the evaluation with the Government of East Timor and other key stakeholders and to refine the East Timor fieldwork design.

65. The MRG highlighted several relevant issues for the evaluation, including AusAID engagement in the sector and progress toward a sector-wide approach, sector financing needs and constraints, the balance between long-term capacity building and immediate service delivery needs, and the challenge of working through government systems. The results of this evaluation will inform understanding of how Australian aid can support sustainable improvement in the delivery of essential water and sanitation services by providing concrete recommendations on improving AusAID engagement in the sector.

Future MRG Involvement

66. MRG visits might appropriately reduce to one a year when the Work Plan is finalised. Their timing should relate to the preparation of annual work plans, and that should in turn relate to the *government's budget cycle*. July-August may present the best period within which to engage with annual government budgetary processes.

67. The MRG is willing to be used as a sounding-board for discussion of issues and options at other key points in the project cycle (including finalisation of the work

plan and future 6-monthly progress reports), irrespective of the timing of visits. Feeding-back of a management response to MRG recommendations, from both RWSSP and AusAID (and ideally government), would be valuable.

68. Post should discuss with government how best to configure MRG visits and discussions to make them more useful to government: it is acknowledged that to date the MRG visits have largely focused on AusAID interests in the program. As suggested at 12 above, a more structured approach to MRG briefing – including perspectives from government, AusAID and program management, might help establish greater government buy-in and also ensure appropriate emphasis in subsequent MRG discussions with stakeholders.

69. We **recommend** that future MRG reviews should ideally be undertaken – in part at least - as joint sector reviews together with other sector partners, increasingly based on the delivery against the *government's* strategy. USAID has already indicated an interest in this.

Acknowledgements

70. The MRG is very grateful to all the government, donor, NGO and program staff who kindly gave us their time and opinion and to the AusAID Post for arranging a busy program of meetings so efficiently. We much appreciate it.

Annex 1

TERMS OF REFERENCE

Second Mission of the Monitoring and Review Group, 6-10 October 2008

Rural Water Supply and Sanitation Program

Government of Timor-Leste and AusAID

Background to Rural Water Supply and Sanitation Program (RWSSP)

The Australian Government, through the Australian Agency for International Development (AusAID), has supported water supply and sanitation activities as one of its key country priorities in Timor-Leste through the Community Water Supply and Sanitation Program (CWSSP) since January 2002. Support for rural water and sanitation remains a key priority under Australia's development assistance to Timor-Leste and the Rural Water Supply and Sanitation Program (RWSSP) began operating in September 2007. Since that time RWSSP has supported the Government of Timor-Leste (GoTL) to develop a collaborative sector wide strategy for managing stakeholder engagement to achieve the Millennium Development Goals related to the provision of improved access to water, sanitation and hygiene in rural areas of Timor-Leste.

A core outcome of RWSSP is building a sustainable approach to service provision in the sector by moving to a Sector Wide Approach (SWAp) over a ten year timeframe. To achieve this long-term objective, AusAID has currently allocated \$28.7 million over the next five years (2007-12) under Australia's development assistance program, with a strong likelihood of supplementary funding within this period.

AusAID appointed International Development Support Services (IDSS) as the Project Management Contractor (PMC). IDSS is responsible for implementing RWSSP by managing and coordinating required technical, engineering and construction services and providing program management support.

The implementing agencies for identified services are the ministries of Infrastructure and Health. The National Directorate for Water Supply and Sanitation (DNSAS) and Ministry of Health will coordinate service provision under RWSSP on GoTL's behalf.

Purpose of Monitoring and Review Group (MRG)

AusAID and the GoTL agreed to establish a Monitoring and Review Group (MRG) to track implementation progress and effectiveness in achieving the RWSSP's impacts, outcomes and outputs. The role of the MRG is to provide AusAID with independent technical and other advice on any aspects of the RWSSP and to assist AusAID to assess the performance of the PMC. As part of the partnership approach with GoTL, the MRG will include reporting to the GoTL ministers for Infrastructure and Health.

The MRG is expected to conduct an in-country review mission between one and two times per year, at the discretion of the Project Steering Group, with a focus on greater frequency in the start-up

period.⁵ The inception MRG mission was conducted between 4-8 February 2008 and finalized its report at the end of February.

An important characteristic of the MRG is committed and representative membership to ensure an ongoing interest in achieving RWSSP objectives as well as documenting an accumulation of knowledge of the program.

Pending the identification and recruitment of a permanent MRG, an interim team for the first mission was formed, comprising:

- Peter Bazeley (independent consultant and Team Leader);⁶
- Carol Bellew (IDSS Operations Manager & RWSSP Project Director, Melbourne);
- Gerard Cheong (AusAID Policy Officer, Canberra);
- Marcus Howard (AusAID Infrastructure Adviser, Canberra); and
- Colin Wiltshire (Activity Manager, East Timor Section, AusAID, Canberra).

The second MRG is set for 6-10 October 2008. It is expected that this MRG team will comprise the same membership as the first MRG, except for the following changes:

- the addition of two GoTL representatives (representing Infrastructure and Health);
- the absence of a Canberra-based officer to contain overall numbers; and
- the replacement of the AusAID Desk officer given staff changes.

AusAID Post will also play a key role during the mission given both their established networks and ongoing responsibilities, and it is expected that relevant officers will be available to participate. Technical specialists will also support the MRG as required, but only to advise on, not participate in, assessments on implementation performance.

It is expected that IDSS will take carriage of preparing and organizing the schedule of meetings and the field visit for this second MRG in coordination with GoTL, AusAID (Jose Perreira) and the MRG team leader (Bazeley).

The MRG will report to the GoTL and AusAID, and provide an opportunity to review the draft report prepared by the consultant and provide comments. The consultant will take account of these comments in the final report provided to the GoTL and AusAID.

RWSSP Progress to Date

Key outputs to August 2008 include:

1. Imprest Account Operations Manual

⁵ It is expected that Year 1 will entail two MRG missions (February and October 2008), and from 2009 (Year 2) the MRG will conduct missions on an annualised basis (in the absence of compelling reasons).

⁶ This consultant was identified following a rigorous selection process and based on his knowledge and experience in the field.

2. Insurance Analysis
3. Program Operations Manual (POM)
4. Program Strategic Framework
5. Draft RWSSP Whole-of-Program Life Workplan
6. GoTL *Rural Water, Sanitation and Hygiene (RWASH) Sector Strategy*, 2008-11⁷
7. Six monthly progress report

It was originally planned that the Design Phase of RWSSP would take seven months (September 2007-March 2008) to complete, but there has been some unforeseeable delay (such as the civil unrest following the attempted assassinations of Timor-Leste's political leaders in February 2008). Following the endorsement of the Sector Strategy in mid-August, it is expected that the RWSSP Workplan will be finalized by September 2008.

AusAID has received initial approval (of \$28.7 million as at August 2008) for funding for the first five years of RWSSP (2007-08 to 2011-2012) and, if appropriate, and following the recommendations of a review in year five, will seek further funding for the remaining five years. Supplementary funding within the initial five year period is also a likely possibility, including from the *Building Demand for Better Governance* Budget Measure (\$500,000 confirmed already for 2007-09 and included in the above budget envelope) and the *Water and Sanitation* Budget Measure (the latter announced in the 2008-09 Budget, with \$200,000 to be allocated in 2008-09 for Timor-Leste). But these supplementary sources will introduce new, separate reporting requirements [internal quarterly and annual quality-at-implementation (QaI) reporting, in addition to the current QaI requirement for RWSSP], which are mandatory for each Budget Measure (BM). Possible additional BM sources will impose further reporting needs, something which warrants closer consideration.

The Program is designed to progressively move towards a pure Program Approach as and when GoTL develops capacity. It is thus not apposite to provide a detailed outline of work over the life of RWSSP, with a rolling design process instead adopted. In this context, IDSS has developed a draft Whole-of-Program Life Workplan given the end of the Design Phase, covering the period up to the end of the third year of RWSSP. This Workplan will form the basis for contract amendments with IDSS in 2008, while noting that this contract can be subject to change at any time, when and if necessary, in response to changing identified needs in the sector.

Expected Outcomes and Outputs of the Second MRG Mission

Outcomes

- To enhance government ownership of the new sector strategy in Timor-Leste
- To strengthen quality of implementation by IDSS and relevant ministries
- To improve communication and accountability between GoTL, AusAID and IDSS
- To improve coordination between GoTL, donors, stakeholders and the community

⁷ The GoET Minister for Infrastructure and the Minister for Health formally signed the RWASH Sector Strategy on Tuesday 19 August 2008.

Outputs

- End of mission Aide-Memoire and presentation
- Mission report detailing key issues and recommended action items
- Input to contribute to the preparation of AusAID's Quality-at-Implementation and Annual Program Performance Review monitoring tools and evaluation processes in 2008-09
- Recommendations on a schedule for future MRG missions and team composition, as well as potential terms of reference for the next mission in terms of follow-up

Scope of Work

The scope of work below is indicative, and should not be considered exhaustive. Key tasks (in the three areas of: policy, programming and monitoring, evaluation and data) to achieve the second MRG mission's expected outcomes and outputs include:⁸

Policy

1. Reflect on the recommendations of the previous MRG and, where accepted, the progress in their adoption.
2. Assess the scope of government and stakeholder ownership of the RWASH Sector Strategy and identify opportunities to strengthen project socialization;
3. Assess the scope of current and potential sector coordination among stakeholders (further to, and on the basis of, studies conducted to date in this area) and identify ways to enhance harmonization and communication;
4. Assess the outcomes and implications of a social accountability project, funded by AusAID and conducted by the National Democratic Institute, for RWSSP;
5. Provide an independent evaluation of the quality and likely effectiveness of the implementation of the draft Workplan to meet RWSSP goals;
6. Explore links between planning for schools and health centres and RWSSP, and make possible suggestions on how to strengthen or build such linkages.
7. Consider the vulnerability of RWSSP to climate change impacts and suggest any possible program responses.

Programming

8. Consult with key stakeholders in AusAID, GoTL and NGOs on the next phase of RWSSP and identify possible implementation challenges and solutions;
9. Outline key issues for consideration during the transitional leadership of RWSSP.
10. Consider capacity-building progress in GoTL and how this supports the long-term goal of government ownership;⁹

⁸ It is expected that while the consultant will undertake the bulk of tasks in this second MRG mission, as the project is implemented an increasing number of tasks will be undertaken by GoET assisted by local consultants, with the consultant more an advisor in support of the GoET as implementing partner.

⁹ The POM outlines 4 phases (although features may not be uniform in progress) in the rolling design.

11. Participate in a field mission to build up a qualitative basis of understanding of program impact and implementation issues, establishing the basis for longitudinal site visits in future MRGs;
12. Provide a provisional assessment of the RWSSP against AusAID QaI criteria.

Monitoring, Evaluation and Data

13. Assess the data needs and capacities to enable reporting on the achievement of the target values of performance indicators in the Sector Strategy;
14. Review and agree with IDSS and GoTL the survey methodology and sampling frame and the geographic locations for the different types of surveys required;
15. Assist in establishing and/or strengthening the monitoring and evaluation function of GoET, including required staffing and operational resources and training needs;
16. Coordinate the undertaking of the surveys and data collection to be carried out by RWSSP during implementation according to a proposed schedule of MRG visits.

Data evaluation in the MRG will consist of reviewing secondary data from GoTL and District government statistics and reviewing project and other relevant data collected by the Ministry and the RWSSP.¹⁰ *For this second MRG, it is expected that the focus will be on assessments of data needs and capacities rather than achievement against performance indicators.*¹¹ In saying that, it is requested that IDSS, in consultation with AusAID, submit a request for available data to the GoTL as soon as practicable.

¹⁰ RWSSP is responsible for contracting out measurement of the indicators for project evaluation at project inception (baseline), annual and mid-term review and completion of implementation against the monitoring and evaluation framework. A RWSSP appointed local organization will conduct sample surveys among communities to determine the sustainability of capacity building, changed hygiene practices and infrastructure development. RWSSP is also responsible for measuring the indicators for Outcomes and Outputs each year during implementation while transitioning to support and use GoET reporting systems over time.

¹¹ Refer to Footnote 1. MRG missions from Year 2 (2009) onwards are expected to review the same outcome and output data as the baseline surveys. Each assessment of the monitoring indicators will consist of an evaluation of changes that have occurred in the preceding year.

Annex 2

Timor-Leste

AusAID Rural Water Supply & Sanitation Program (RWSSP)

Monitoring & Review Group

Aide Mémoire

October 2008 Visit

This Visit and Aide Mémoire

71. The Monitoring & Review Group¹² (MRG) visited the Timor-Leste Rural Water Supply & Sanitation Program (RWSSP) 6–10 October 2008 at the scheduled completion of the program's design phase and submission by IDSS¹³ of a draft *Whole of Program Life Work Plan*. The conclusions of a coincident meeting of the high-level *Policy Steering & Reference Group* (PSRG) also shaped the MRG's conclusions.

72. The Group met senior government officials from the Ministries of Infrastructure and Health and other agencies and NGOs involved in the sector (CNEP, NDI, UNICEF, USAID and others) and held a number of discussions with the RWSSP / IDSS team and AusAID Post. The team also visited a rural water supply and sanitation scheme at Lotan.

73. This Aide Mémoire summarises the MRG's principal observations and interim recommendations. A full report of the MRG's visit will issue shortly.

Progress since last MRG

74. RWSSP and its government agencies have made considerable progress in the last eight months, on which they are to be congratulated. A particular achievement has been the drafting and signature of an interim *Rural Water Sanitation and Hygiene Sector Strategy* (RWASH-SS) which now forms the basis not just of the AusAID program but also those of other agencies such as USAID.

75. The substantive recommendations of the February 2008 MRG, which related in the main to the need to embrace the requirements of working towards a government-owned

¹² Comprising Peter Bazeley (independent consultant and Team Leader), Pak Amaral (Timor-Leste Ministry of Health), Carol Bellew (IDSS Operations Manager and RWSS Program Director), Darian Clark (AusAID Timor-Leste Desk, Canberra), Pak Elias (Timor-Leste Dept Water & Sanitation) and Marcus Howard (AusAID Infrastructure Adviser, Canberra). Jennifer Donohoe (AusAID Office for Development Effectiveness) also joined the team for this visit. Natalie McKelleher and Jose Perreira from Post accompanied the MRG in many of its discussions.

¹³ IDSS: International Development Support Services Pty Ltd, the managing agent contracted to design and implement the program.

sector program, have in the most part been taken on board and are reflected in the new Work Plan and budget.

76. The close working relationship with government, and government's inputs to the above, are recognised and valued.

The draft *Whole of Program Life Work Plan*

77. The draft *Whole of Program Life Work Plan* (WPLWP) represents a considerable amount of work and some meticulous planning and budgeting. It is based on a thorough understanding of the sector by the RWSSP team, and has benefitted from the input of the government, consultants and of parts of AusAID. Elements such as the M&E Framework have been credited with representing best practice.

78. However, the MRG does have some comments and recommendations:

79. Firstly, ambiguities over the budget need to be resolved. The work plan has been budgeted at approximately AUD50 million. The funds approved and available are AUD28.7 million. There is a likelihood of further funding becoming available later, but that is not guaranteed, and the MRG also has other recommendations on how any further funding might best be channelled (**Error! Reference source not found.** to **Error! Reference source not found.**).

80. *We recommend that the work plan be reconfigured to match the approved and available funding of AUD 28.7 million.*

81. In re-presenting the budget, IDSS may wish to propose mechanisms for addressing the unexpectedly wide variation in exchange rates seen since the original design.

82. Secondly, Ministers at the PSRG requested a shift in the balance of the program's deliverables, with greater emphasis on infrastructure and less emphasis on some of the 'softer' work on capacity-building and consultation. They also queried the percentage management costs. AusAID does need to respect such high-level direction from government over its development policy, without unduly compromising effectiveness or prerequisites such as effectiveness of hygiene and sanitation approaches and mainstreaming gender issues.

83. *We recommend that RWSSP review its work plan, together with government, to see where and how it can best respond to and reflect these policy requirements.*

84. In doing so, and in revising the budget, RWSSP may like to review the relatively high levels of project-funded supplementary staff and advisory positions in the current work plan and consider the implications for government in, and likelihood of, sustaining such a level of activity after project funding terminates. Where positions are required for implementation of infrastructure projects or support for maintenance and rehabilitation this should be made transparent to Government.

85. *Thirdly, but importantly, the WPLWP needs to be more explicit and quantified about the outcomes* that the RWSSP will bring about in terms of the tangible improvements to people's lives and livelihoods. At present it is difficult to gauge what impact the program will have on development outcomes (as opposed to intermediate processes).

86. In re-casting the WPLWP, it could usefully also better articulate:

- i. The critical problem(s) to be addressed and the **justification for the approach** (essentially a capacity-building one) being adopted; and
- ii. The **causative linkages** between the program delivering its outputs and the outcomes and impacts predicted, and the extent to which these are *necessary* and *sufficient*.

87. We also suggest that much of the activity-level information and comprehensive M&E measurements relate more to internal project management functions and need not be presented in the WPLWP. The government's Sector Strategy should be attached as an annex, not repeated in the main text of the work plan (which should focus on how RWSSP will support that government strategy and how progress can be usefully and pragmatically measured).

88. We do not recommend that the WPLWP be subject to another level of AusAID *Peer Review* but that, rather, the **MRG remains engaged in reviewing its further development** remotely.

Government as the driver of sustained development in the sector

89. RWSSP will not in itself deliver the government's [MDG-related] rural water, sanitation & hygiene (RWASH) targets. Neither will an external program itself create permanent capacity (although it will support capacity-building): capacity is institutional and created by government [and others]. The achievement of RWASH targets is dependent on government making hard decisions on policy, regulation and public expenditure¹⁴. It is not yet clear that those hard decisions have been made, consistently, at all levels of government.

90. RWSSP needs to be supporting the tangible expression of a government priority if it is to maintain its validity. Conversely, if it is simply covering the cost of activities to which government has not afforded priority in its policy and public expenditure choices it will by definition be supporting low-priority objectives.

91. *We recommend that any further tranches of AusAID funds for the RWASH sector¹⁵, beyond the currently available AUD28.7 million, be provided in the form of performance-based finance where clear progress is being made in policy, regulation, capacity, resource allocation and budget execution.*

92. Where such sector performance is seen, it may be appropriate to move towards channelling such funds through government systems.

93. *RWSSP should help define a roadmap for progression (facilitated by the program and its activities) towards such a scenario including definition of appropriate policy, capacity and budgetary triggers.* (Noting that such funds are not yet guaranteed, and that where triggers are not met funds would most likely be allocated through other channels.)

¹⁴ Not least in dealing with obvious cross-sectoral issues such as water and sanitation at schools and health centres.

¹⁵ For example under AusAID's Access to Clean Water and Sanitation Initiative.

Making the most of the MRG

94. MRG visits might appropriately reduce to **once a year** when the Work Plan is finalised. However timing should relate to the preparation of annual work plans, and that should in turn **relate to government's Budget Cycle**.

95. The MRG is willing to be used as a sounding-board for **discussion of issues and options at other key points** in the project cycle (including finalisation of the work plan and future 6-monthly progress reports), irrespective of the timing of visits. Feeding-back of a **management response** to MRG recommendations, from both RWSSP and AusAID (and ideally government), would be valuable.

96. Post should discuss with government how best to **configure MRG visits and discussions to make them more useful to government**: it is acknowledged that to date the MRG visits have largely focused on AusAID interests in the program.

97. Future MRG reviews should ideally be undertaken – in part at least - as **joint sector reviews** together with other sector partners. USAID has already indicated an interest in this.

Other issues

98. The PSRG's reflections on fundamental aspects of program design demonstrate the importance of effective dialogue with government at all levels, and in particular an effective policy dialogue between AusAID and government and objective assessment of appropriate instruments and approaches. The MRG therefore welcomes the proposed AusAID ***Service Delivery Evaluation in Water & Sanitation*** which will consider, among other things, engagement, public financial flows and management in the sector, and the progress and challenges of moving towards sector approaches and moves towards working multilaterally and through government systems.

99. We commend two important reports on the sector in Timor-Leste: the National Democratic Institute's report on ***Making Democracy Deliver*** [in Timor-Leste's Water & Sanitation Service Delivery], which highlights the importance of effective consultation with communities, and IWC's ***Strategic Approach for NGO Engagement***, which may provide pointers for channelling AusAID support to NGOs.

100. Policy and funding barriers have resulted in a **lack of water supply to recently constructed schools and health centres** which adversely impact the effectiveness of the health and education sectors. Government and RWSSP should jointly review the current situation with provision of water and sanitation services in schools and health centres to determine if the workplan can address the issue.

Acknowledgements

101. The MRG is very grateful to all the government, donor, NGO and program staff who kindly gave us their time and opinion, and to the AusAID Post for so efficiently arranging a busy programme of meetings. We much appreciate it.

Annex 3

Organisations / Persons Met

AusAID National Infrastructure Plan – Frank Burfitt

AusAID Post – Natalie McKelleher and Jose Perreira

Centro Nacional Empleo Formasaun Profissinal – Principal and staff

Department for Water & Sanitation (DNSAS) – Joao Jeronimo (Director) and staff

Infrastructure Unit, Ministry of Education – Almerio Soares (Director) and staff / Advisers

Ministry of Health – Director General

National Democratic Institute – Telibert Laoc

Oxfam

RWSSP – Alan Smith (Team Leader) and staff

UNICEF – Monjur Hossain and Mr Bishnu

USAID – Brian Frantz and Dr Teodulo

WaterAID

Annex 4

RWSSP-Proposed

Sector Governance / Coordination Structure

