

Timor-Leste

**AusAID Rural Water Supply &
Sanitation Program
(RWSSP / BESIK)**



**Monitoring & Review Group
April 2011 Visit**

Finalised Report – May 2011



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Monitoring & Review Group (MRG)

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Summary of Recommendations

Para	Recommendation	Action by
15	The current goal-level objectives relating to human health should be promoted to higher-level impact statements and that an end-of-project <i>Purpose</i> should be inserted between the Goal and the current 'objectives', relating to <i>increased use and adoption</i> of RWASH infrastructure and good practice. (Wording and indicators to be more specifically defined.)	BESIK to draft proposed wording for the end-of-project <i>Purpose</i> and submit to AusAID for endorsement.
21-30	<p>Priorities for the final year of the program should principally revolve around consolidation and institutionalisation of the gains made, plus specific action on:</p> <ul style="list-style-type: none">• 2012 budget submissions;• Further investigation of potential alternative models of effecting behaviour change through sanitation markets;• Maintaining a watching brief of the implications and opportunities presented (or not) through any decisions taken on decentralisation;• Anticipating and providing the right data and information for any evaluation of BESIK revolving around higher-level DAC (and AusAID) evaluation criteria, taking into account the current debate in AusAID on this.• Preparation work for development of an operation	BESIK with direction from Post.

	and maintenance system including estimation of costs and piloting of options.	
32 iv	Consider, among other options, configuring future support to water and sanitation around a broader 'facility' approach – perhaps similar to the Indonesia Infrastructure Facility. (Still capturing, of course, the non-infrastructure factors that BESIK has established as prerequisites to effecting sustained rural WASH outcomes.) This would provide AusAID with a flexible technical resource that could support strategic dialogue with government and provide technical support for project implementation in water, sanitation and hygiene, roads and other infrastructure. It would support government to manage increased use of government systems, the challenges of decentralisation, provide high level policy advice and deliver on capacity-building requirements. A facility approach would also provide AusAID flexibility to redirect program support between sub-sectors over the life of the country strategy. It would provide a way for Post to maintain relevance in a rapidly evolving policy, institutional and fiscal context.	Post
38	Post organise a consultation with the several potentially important interlocutors, which probably include the Ministry of Finance, National Development Commission, the Ministry of State Administration and Territorial Management and the Aid Effectiveness Unit (and probably others), as well as the regular institutions involved in the construction of the annual State Budget and appropriations for both capital investment and the procurement of goods & services.	Post
43	Develop a transition plan that identifies key areas of support that need to continue through the likely / inevitable programming gap, and a pragmatic way of managing that.	BESIK with direction from Post

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AusAID Rural Water Supply & Sanitation Program (RWSSP / BESIK)

Monitoring & Review Group (MRG)

April 2011 Visit (Report finalised May 2011)

This Visit

1. The Monitoring & Review Group¹ (MRG) visited the Timor-Leste – AusAID Rural Water Supply & Sanitation Program (now known as *BESIK*) from 11 to 15 April 2011. We met Departmental Directors and others from the Ministries of Finance, State Administration, Health and Infrastructure. We held discussions with the RWSSP / IDSS team, AusAID Post and their consultants/advisers and met others working in the sector, including USAID's DWASH program, Oxfam, Plan, UNICEF, WaterAid, World Vision and local NGO HTO. Part of the team also visited a Decentralised Development Program water system and SISCA/CLTS community WASH initiatives in Remexio.
2. The MRG has visited BESIK three times previously: in February 2008 (during the design phase), in October 2008, and in July 2009. In addition, a mid-term Independent Progress Review (IPR), which included MRG members, was undertaken in April 2010.

Context

3. *BESIK* commenced in September 2007, itself a successor to prior AusAID support to the rural water, sanitation and hygiene (WASH) sector. The contract with IDSS, *BESIK*'s managing contractor, now runs to June 2012 (following a number of amendments and extensions, not least to bring under *BESIK*'s management new and additional funding provided under AusAID's Water & Sanitation Initiative budget measure). AusAID has indicated that further support to rural WASH in Timor-Leste will be provided subject to design and agreement, although any new management contract will, under AusAID's procurement protocols, need to go back to the market.
4. From the outset, *BESIK* was intended to progress from a standalone, contractor-managed, project to a more program-based approach under government's direction, leadership and management. This evolution would reflect growing capability in sector institutions, to be brought about in part through *BESIK*'s

¹ Comprising Peter Bazeley (independent consultant and Team Leader), Marcus Howard (AusAID Senior Water & Sanitation Adviser, Canberra), Cathy McWilliam (East Timor Section, AusAID Canberra) and Felicity Miller (Water & Sanitation team, AusAID Canberra). Jeff Prime and Faviula Monteiro (AusAID Post) and Mark Kron (IDSS representative) accompanied the MRG in most of its discussions.

emphasis on training and capacity-building. But the program's priorities and approaches might also evolve as the country normalised out of an immediate post-conflict and fragile state, with minimal service-provision capacity in either the public or private sectors, to one where more robust government systems had developed and where markets and supply chains, and the private sector more generally, had been re-established. Pending such political and economic development, BESIK has to date largely pursued a model of service delivery based around NGO capacity, while seeking to improve government's ability to contract-out installation of infrastructure.

5. The MRG, and the IPR, have therefore always played a role in testing the assumptions about the context (and therefore the priorities and approaches adopted by the program) and encouraging AusAID Post and the project to ensure continuing fitness-for-purpose in a changing context. This has, in particular, often centred on discussion about promoting greater ownership and sustainability through greater use of government systems, and also exploring other models of service delivery beyond those assumed under immediate post-conflict conditions. These two features of past MRG interest remain, in our opinion, extremely important.

6. The 2010 IPR provided a generally favourable evaluation of BESIK and recognised the high priority being given to water and sanitation by GoTL (and AusAID) and the relevance of continuing support to the sector. However the IPR was concerned that the planned transition from standalone project to a program that is genuinely owned and led by GoTL, with greater use of government systems, was not yet manifesting sufficiently robustly and noted the central role of Post in championing a debate with central GoTL ministries around that.

7. The IPR also made recommendations on, in particular, deepening support to decentralisation, improving the impact of RWASH service delivery and community management, a focus on gender outcomes (as opposed to processes), sustainability, more robust transition to use of government systems, M&E, and communications.

8. On this visit the MRG focused on:

- Progress since the April/May 2010 Independent Progress Review;
- Priorities for BESIK's remaining implementation period to June 2012; and
- Preliminary framing issues for the future direction of AusAID support to the sector.

Progress

9. BESIK has done well. Its latest Progress Report (#7, to March 2011) highlights how the project has reached and in many cases exceeded its targets and is demonstrably impacting on the transformation of service delivery in the RWASH sector. Reported highlights include:

- In terms of BESIK's support to creating an enabling policy environment:
 - New national water and sanitation policies ready for submission to Council of Ministers;

- Expanded GoTL budget allocations;
- Institutionalisation of processes better to address gender equality in the sector;
- Improved management information systems.
- In terms of BESIK's support to improving rural water supplies:
 - Over 60,000 additional people in rural areas received access to improved water supply in 2010;
 - 30,000 people in rural areas have accessed improved water supply through BESIK systems (and another 40,000 planned for 2011);
 - Survey and community engagement work supported cover being provided to a further 80,000 people;
 - Improved institutional arrangements to facilitate sustainable community management of systems in the future;
 - Significant gains in providing for disabled access, and in the quantity and quality of women's participation in decision-making.
- In terms of BESIK's support to improving hygiene and sanitation behaviour:
 - 17,500 additional people with access to basic sanitation facilities;
 - 3,000 vulnerable households provided with access to improved sanitation facilities;
 - 137 communities participating in Community-Led Total Sanitation (CLTS) supported by BESIK;
 - 55 aldeias² declaring open-defecation free (ODF) environments;
 - 240 aldeias engaged in WASH behaviour improvement activities.

10. As anticipated in the IPR, Timor-Leste is now set to reach the MDGs for rural water, if funding is maintained, and sustainability through support to design quality, community engagement, and operation and maintenance is assured. This is attributable to the timely coincidence of substantially increased GoTL and donor funding, supported by BESIK's capacity-building, design and systems improvement and championing of community processes. Significant progress is also being made with hygiene and sanitation, although not at the scale originally envisaged. Further work is being done on that.

11. The impact of BESIK contributions to policy development, operational guidelines and the demonstration of best practice can be seen across the sector and among its many players in central and local government, other donor and NGO programs, civil society and (to some extent) the private sector. Areas traditionally weak or lacking in many AusAID activities, such as gender and M&E, look set in BESIK, now, to become models of good practice.

² An *aldeia* is 'sub-village' or hamlet. There are 2,228 *aldeias* in Timor-Leste, of which about 2,000 are rural. (Implying an average of ±80 households and ±460 people per rural *aldeia*.)

12. However, progress is fragile in terms of the sustainability infrastructural investments and in terms of systems and institutional processes:

- The recurrent budgetary resources ultimately made available for operation and maintenance (O&M), while demonstrating positive intents, remain, *in practice*, wholly insufficient to provide for the inevitable and necessary (above the level of communities' own capacity) public-good maintenance of rural water systems, threatening – at this stage – to undermine the progress made and once again reduce access to safe water in rural areas to unacceptably low levels.

(While GoTL budgetary allocations to the sector have been substantially increased at Ministry of Finance level, much of the increased funding was subsequently allocated to a number of other 'emergency' requirements within the Ministry of Infrastructure.)

Although the government's policy of promoting community management of water supplies is appropriate, there will remain O&M requirements that are beyond the capacity of the communities (including continued facilitation and mobilisation of community engagement) that will always require public finance.

- The permanent integration into established standards and processes of design, construction and community engagement, proven to represent the cornerstones of sustainability, is not yet fully institutionalised. In particular, many of the staff operating at sub-district level, deemed essential to facilitating and sustaining community engagement, have not yet been incorporated into established permanent positions. (Although their salary costs are now met by GoTL under an ad hoc arrangement.)

13. Community health and sanitation targets are not being met, although there is good reason to suggest that baseline data were incorrect and that targets were, in retrospect, unrealistic. However the MRG, backed now by preliminary assessments derived from new BESIK social-marketing work, continues to maintain that there are opportunities to experiment with other models of promoting behaviour change through partnerships with the private sector – not simply as contractors but as stakeholders in the development of a hygiene and sanitation market. (See below.) (The extent to which the immaturity of markets for goods and services, and the high transactions costs and diseconomy of scale due to Timor-Leste's geography, will need to be considered in configuring any public-private partnership.)

14. BESIK's goal-level indicators, which partly relate to health outcomes in the population, are going to be difficult to measure and it is in practical terms going to have to remain a [reasonable] assumption, only³, (certainly within the timeframe of this project) that improved rural WASH will contribute to better human health.

³ BESIK is considering rapid assessments of the use of latrines and of hand-washing practices to measure results which would provide some measure of impact.-

15. We **agree** that the current goal-level objectives relating to human health should be promoted to higher-level impact statements and that an end-of-project *Purpose* should, subject to AusAID endorsement, be inserted between the Goal and the current 'objectives', relating to *increased use and adoption* of RWASH infrastructure and good practice. (Wording and indicators to be more specifically defined.)

Has the stick changed hands yet?

16. Previous MRGs, and the IPR, have been concerned that the original framework for the transition from managing-contractor-does-all to government directs (and owns) all was, from the outset, a blunt instrument. It did not – it seems to the MRG – sufficiently take into account wider concepts of the development of a program-based approach based on a commonly agreed vision of development outcomes and the analysis of the medium- and long-term financing requirements of achieving them. It assumed a technical, organisational and skills fix, only, (within sector organisations) and was always relatively light on the upstream components (particularly regarding public expenditure choices and public financial management) of putting into effect long-term sustainable service delivery.

17. It has to be said that this looks to remain an issue as BESIK turns into the final straight.

18. In response to earlier recommendations BESIK *has* invested in improving the sector ministries' own budgeting and financial management processes. However this has maybe not wholly captured these more upstream determinants of promoting ownership and sustainability through enhanced use of the government's own systems in their broadest and most strategic sense – including planning, budgeting, budget execution and accountability for results.

19. That said, the bilateral program, more broadly, was probably not pitched at that level of dialogue and intervention when BESIK was conceived. And as the IPR pointed out, there are limits to the extent to which a standalone project can engage at that level unless it is also part of government-to-government discussion at the more macro level.

20. However AusAID has recently commissioned an analysis into some of the systemic determinants of transitioning to greater use of government systems in the rural WASH sector. The report of that study was being prepared concurrently with this MRG report. Its findings will, presumably, principally help shape the scope and configuration of BESIK's successor program, rather than BESIK itself. We should not, therefore, try to shoehorn-in a radically different approach into this last phase of BESIK.

Priorities to June 2012

21. The absolute priority over the immediate next few weeks and months – involving both BESIK and Post – is to support the submission of well-argued and

evidence-based **budget submissions** for GoTL's 2012 State Budget, such that there are adequate funds allocated *and made available* for operation and maintenance next year of the infrastructure put in place through both BESIK and the government's own capital investment surge, and for supporting and monitoring rural sanitation and hygiene improvements.

22. In the longer term, as referred to above, this process needs to develop into a mature dialogue between AusAID Post and the government over the long-term costs and financing requirements (both capital and recurrent) of the sector and multi-year budgeting, and over the role of bilateral donors in promoting and maintaining rural WASH-related development outcomes. (See 'framing issues', below.) In the meantime BESIK has an important role to play in establishing a more comprehensive understanding of recurrent public finance requirements. This needs to include, it seems, helping to rationalise where 'community-management' responsibilities finish and where more clearly-defined public goods will persist in the O&M of water systems, and in the promotion of hygiene, that will require enduring levels of public finance.

23. The dice are largely now cast in terms how much BESIK can, overall, achieve in its final year, and the emphasis must now be on **consolidation and institutionalisation** of the gains made, especially in the context of:

- The somewhat uncertain position of Sub-District Facilitators, and indeed overall (non-subsidy) approach to sanitation and hygiene;
- Embedding BESIK's established processes of quality and best practice into the wider PDD-related capital surge;
- Completion and institutionalisation of the sector information system.

24. BESIK should continue to pursue the exploration and conceptualisation of alternative models of promoting behaviour change for health and sanitation, as is now in process, as this may have significant bearing on the shape of any future program of AusAID support. Initial conclusions from IDE's recent work for BESIK on social marketing and on supply chains look to be as important as they are interesting. IDE has highlighted both the importance of understanding and responding to demand 'pull' (as opposed to 'pushing' good practice messages), and it has also demonstrated a nascent market and private sector supply chain whose development in the normalisation of Timor-Leste's economy (para 4 above) may have been underestimated. But the IDE research has also identified a number of barriers specific to a small, post conflict nation, implying some different strategies - including focus on identifying enablers and demand creation.

25. This may still not represent the full range of options: the next phase of support should be prepared to think about perhaps quite radically different approaches if analysis shows that the context has evolved and new opportunities have emerged or could be explored through forward-looking donor support. (Note, for example, the IPR's reference to successful partnerships between donors and international brand names in India's rural sanitation and hygiene market.)

26. While most IPR recommendations have been addressed, some remain very important considerations in the final phase of the project – not least in terms of delivering high-quality **fit-for-purpose communication** of BESIK's considerable experience and lessons learned, and more aggressive **transfer of 'who is holding the stick'** (see below) to GoTL.

27. How **decentralisation** will shape-up, and in particular the transfer and management of financial flows to district / municipality level through District Development Funds and Sector Development Funds, is not yet finalised. In all likelihood it will remain in limbo until after next year's elections. BESIK can probably in reality only monitor that and undertake 'what-if' scenario planning: it is now unlikely that BESIK can contribute much in its remaining time to decentralisation in the way previously envisaged.

28. BESIK has done much now to reconstruct its performance framework into a workable management tool for the program, as well as develop information systems for sector planning and performance measurement by government. The MRG applauds that.

29. However we also introduced on this visit a discussion around preparing for any putative **evaluation of BESIK** from an aid effectiveness perspective, which would revolve around the DAC criteria of *Relevance, Effectiveness, Efficiency, Impact* and *Sustainability*, and the additional AusAID criteria of *Gender Equality, M&E, Analysis & Learning*, and *Lessons Learned*. Meta-analysis of AusAID evaluations has highlighted how, in the great majority of cases, activities' M&E systems have failed to provide the right quality and quantity of information on these higher-level criteria to adequately inform subsequent independent evaluation. Almost invariably – for a number of reasons – managing contractors have focused in their completion reports on presenting performance data at too low a level: activity and output rather than outcomes and impacts, rendering it very difficult then to apply any analysis at the level implied by DAC aid-effectiveness questions. BESIK should, certainly (and probably quite exceptionally), have the right data and information from its M&E activities, but it would be appropriate for the project to think ahead and start relating some of its reporting to these higher-level questions, for there is much to learn from BESIK.

30. As per the Mellors report on issues surrounding moving towards greater use of government systems, BESIK should undertake some preparatory work on the development of an improved operation and maintenance delivery *system*, including estimation of costs and piloting of options.

Framing issues for future AusAID support

31. Post envisages a largely in-house-managed, progressive, consultative design process for future support to the sector, to commence shortly. We support such an approach, but this MRG did not constitute an initial design mission.

32. However our thoughts on initial framing questions for this work principally revolve around:

- i. The need to recognise both the extent to which government has taken leadership of policy and public expenditure choices more broadly during BESIK's implementation period (but not least over the policy decision to prosecute a 'surge' in infrastructure investment, including water systems), as well as the extent to which a largely standalone model of intervention limits AusAID's ability to be part of the process of supporting and strengthening that essential, wider, process of government leadership.
- ii. The text-book issue of balance between the (essentially financial) risks of relinquishing exclusive control over the direction and utilisation of aid flows and resources and the development risks of – ultimately – perpetuation of *substitution* and short-term gap-filling are very apparent in BESIK. (Not least in terms of how we are, at this crucial and late stage of AusAID investment, still worried about sustainability.)
- iii. In considering the configuration of any future support, it may well be that – over another (say) five-year development period – the most binding constraints to rural poverty reduction imply more diverse support to rural infrastructure, in areas that are yet to be identified. (AusAID's East Timor Country Strategy for example tentatively identifies infrastructure outcomes beyond rural water and sanitation – in roads and through employment creation programs and broader capacity building.)
- iv. For this reason, while some elements of any future program are likely to involve continuation of conventional forms of delivering development assistance, a more flexible and adaptive structure for managing AusAID's program(s) is probably relevant, providing a mix of development interventions and approaches through a variety of fit-for-purpose, aid-effective, modalities.

We **recommend** that AusAID consider, among other options, configuring support to water and sanitation around a broader 'facility' approach – perhaps similar to the Indonesia Infrastructure Facility. (Still capturing, of course, the non-infrastructure factors that BESIK has established as prerequisites to effecting sustained rural WASH outcomes.) This would provide AusAID with a flexible technical resource that could support strategic dialogue with government and provide technical support for project implementation in water, sanitation and hygiene, roads and other infrastructure. It would support government to manage increased use of government systems, the challenges of decentralisation, provide high level policy advice and deliver on capacity-building requirements. A facility approach would also provide AusAID flexibility to redirect program support between sub-sectors over the life of the country strategy. It would provide a way for Post to maintain relevance in a rapidly evolving policy, institutional and fiscal context.

33. Central to the discussion over the scope and configuration of future support will be the extent to which AusAID might channel aid flows, in part or (less likely) in whole, through government systems, and within that if (or when) to place

earmarked (or possibly un-earmarked) finance into the Treasury's consolidated revenue account or whether to maintain some form of co-managed special account or trust fund. The MRG is not equipped to analyse or quantify the risks and benefits of adopting any particular choice in this regard, and the current (Mellors) study into financial management in the rural WASH sector will go into this in detail.

34. While not pre-empting the findings of that study we do highlight the enduring (in this and earlier phases of assistance to rural WASH in Timor-Leste) problem of mixed signals over 'ownership', and the subsequent compromise to sustainability of development investment in the sector.

35. We also note the valid musings of GoTL over the extent to which the relatively high levels of donor support to WASH may, now or in the future, effectively be used to relieve pressure on state funding to the sector rather than yield agreed levels of *additionality* in development outcomes.

36. The answer to this can only be found in mature donor-to-government dialogue, at the most central level where priorities are set and resources are allocated over policy and public expenditure choices, to achieve agreed development outcomes – and at what scale and pace.

37. There is some difficulty, however, in identifying quite where any dialogue over policy and public expenditure choices in this (and probably other) sector(s), and the role of AusAID and others in that debate, should take place. It is a new dialogue, and one that needs to capture (among other things) as yet unchallenged concepts about the maintenance of the country's capital assets such as rural water supplies and the differentiation of national and local public goods, and the limits of communities' capacity.

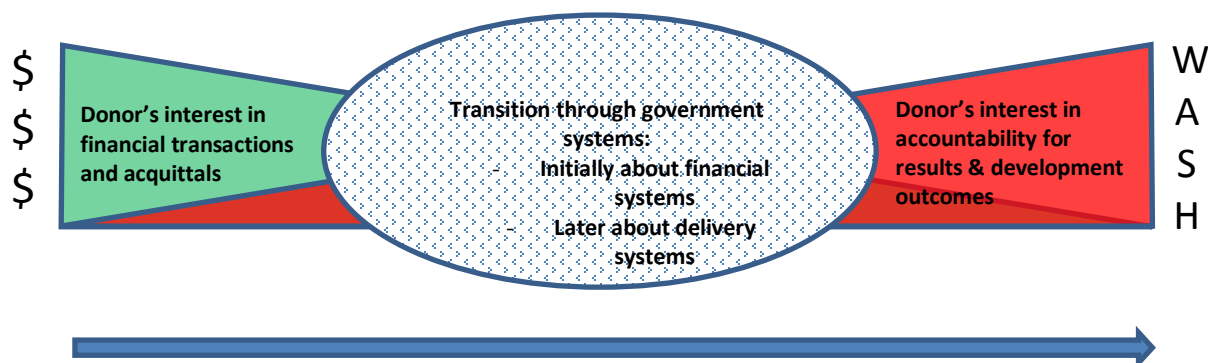
38. We recommend that, as a precursor to the planned wider design process, Post also organise a consultation with the several potentially important interlocutors in this debate, which probably include the Ministry of Finance, National Development Commission, the Ministry of State Administration and Territorial Management and the Aid Effectiveness Unit (and probably others), as well as the regular institutions involved in the construction of the annual State Budget and appropriations for both capital investment, the procurement of goods & services and the continued requirement for recurrent expenditure in support of hygiene and sanitation outcomes.

39. In taking forward the work already established on making greater use of government systems, AusAID should emphasise that this is about finding opportunities, and creating space for delivering aid more effectively and sustainably in the context of observing – in BESIK and elsewhere – real 'here and now' development risks associated with standalone models of intervention. The debate is not about using government systems as an end in itself, just as it is not simply about reducing exposure to financial risks. It is about the effectiveness and relevance-to-context and ultimately sustainability of aid flows in a rapidly changing country.

40. A recurring question in these debates has always about been the extent to which government systems are sufficiently robust to meet the donor's fiduciary and other financial management and accountability requirements. Again the MRG is not

equipped to assess this, but notes that most analyses appear reasonably satisfied – indeed impressed – with upstream components of Timor-Leste’s public financial management (with some specific areas of exception), but that there are more issues further downstream. That may well be the case. However, we make the following comments:

- i. The MRG supports the notion of evolving AusAID’s interest in the sector towards a broader-based approach to supporting transformation of the systemic determinants of GOTL’s wider ability to deliver on RWASH (and perhaps other infrastructure-related) development outcomes. By ‘systemic’ we would now be including up-stream and down-stream non-technical PFM and other public administration issues that were found to be a continuing constraint under BESIK.
- ii. This will require a new level of dialogue with government over policy and public expenditure choices, and over the additionality of aid flows into the sector. i.e. What success looks like and how much it (success) will cost in terms of both capital and recurrent expenditures, and how – over the medium term – those costs will be met through both government and donor finance. *Without* that common agreement on what success looks like and how it will be funded, the ultimately fungible nature of aid flows will mean that there is no clear sense of to what additionality of outcome any one donor’s efforts have contributed. *With* that common agreement then the exclusive control of development finance can be relaxed to a much greater degree.
- iii. One potential outcome of such a discussion might be the realisation of a difference between the priorities being afforded to rural WASH by AusAID relative to that being afforded to it by government. That is not an unusual situation, but it needs thinking about in the context of some of the principles of Partnerships for Development.
- iv. In considering the extent to which government systems do or do not appear robust upstream and downstream, it is important to be specific about what, actually, one is interested in at each level. If donors have reached a common agreement with the partner government over the additionality of development outcomes to be achieved through additional financial support to the sector, and donors support government’s management of the sector, then donors’ interests should principally be in the quality and quantity of those outcomes, not in how the government achieved them (by spending the funds). As this maturation of the aid relationship proceeds, then donors’ interests shift from accountability for inputs (acquittal of funds) to accountability for results (development outcomes). See schema below.



41. The use of performance-based financing has proven to be a very effective tool, sometimes, in promoting that essential dialogue over policy, priorities, and public expenditure choices.

And finally:

42. Notwithstanding the likelihood of developing a potentially very different approach to sector support, and the time that that will inevitably take to put in place, current progress and momentum must not be lost.

43. We recommend that Post and BESIK develop a **transition plan** that identifies key areas of support that need to continue through the likely / inevitable programming gap, and a pragmatic way of managing that. There is too much of certain future value to lose if that is not done.

Acknowledgements

44. We are very grateful to all the government, donor, NGO and program staff who kindly gave us their time and opinion, to the *BESIK* staff for preparing presentations and to and to both BESIK and AusAID Post for – as always – arranging an efficient program of meetings and visits. Faviula Monteiro kindly also acted as a translator. We much appreciate it.