

Australian Government
Department of Foreign Affairs and Trade

AID PROGRAM PERFORMANCE REPORT 2015-16

Timor-Leste

September 2016



KEY MESSAGES

This report summarises the progress and performance of Australia's aid investments in Timor-Leste for the period July 2015 to June 2016 against the *Aid Investment Plan Timor-Leste 2015/16-2018/19*. Australia's aid program continued to deliver impressive outcomes in Timor-Leste.

- We completed our 15 year investment in the Seeds of Life program with half of all rural households across the country now using more productive seed and plant varieties.
- We supported the Ministry of Education to distribute new curriculum materials to 94 per cent of remote primary schools and 100 per cent of remote preschools.
- We helped nearly 40,000 people gain skills through community-led infrastructure projects.
- We completed the first national study into the prevalence and perpetration of gender-based violence and provided more than 1,100 new female survivors of violence with access to support services and legal aid.
- We created more than \$450,000 in additional income for 2,950 farmers (more than half women) and leveraged over \$1.8 million in additional private investment.
- We supported the International Finance Corporation to improve business licensing processes, and the time taken to set up a business was reduced from 90 to 9 days.

Our policy advocacy contributed to increased funding commitments from the Government of Timor-Leste for water supply and road maintenance. Our support to improve government systems contributed to better budget planning across 23 ministries, commitments to increase the number of women leaders and persons with a disability across the public service and new systems to develop and implement economic policy. We continued to support the government at the highest levels to recognise, motivate and inspire good practice and leadership in nutrition through initiatives such as the President's Nutrition Awards and President's Nutrition and Food Security Roundtable Dialogue.

2015-16 was a period of transition for the aid program: our long-standing investment in agriculture evolved from seed supply to improving market systems and nutrition. Where we have not had the impact we expected, we adjusted our programs – for example, ending direct budget support to the Ministry of Finance. Our new Partnership for Human Development consolidates one-third of Australia's bilateral investments – in health, education, nutrition, water, sanitation, disability and social protection – adopting an innovative approach to improve management efficiency, cross-program learning and development outcomes. Another program innovation is our new Monitoring and Evaluation House which will help the program generate and use credible information to improve performance at the investment level and for the program as a whole.

CONTEXT

Timor-Leste aspires to become an upper middle income country by 2030 and has set down a clear development agenda through its *Strategic Development Plan 2011-2030*. The domestic political environment remains stable as the country moves towards presidential and parliamentary elections in 2017. Despite impressive progress since independence, the country's economic challenges are considerable. Timor-Leste remains one of the most oil-dependent countries in the world with oil and gas revenues accounting for 70 per cent of GDP and almost 90 per cent of total government revenue between 2010 and 2015.¹

Government spending supported by the country's oil and gas revenues continue to be the main driver of growth. The IMF recorded non-oil GDP growth at 4.3 per cent in 2015, down from 5.5 per cent in 2014. Percapita expenditure on health, education, water, agriculture and social protection is declining to fund largescale infrastructure projects, putting at risk recent development gains. Current oil production has peaked and recent drawdowns on oil revenue savings in the sovereign wealth fund to cover government expenditure are exceeding the government's own sustainable estimates. The diversification of economic

¹ 2016, International Monetary Fund, Country Report No 16/183: 2016 Article IV Consultation

activity from public to private, and from petroleum into other sectors, while maintaining a sustainable fiscal position and improving services remain key challenges for Timor-Leste.

Most of Timor-Leste's population live in rural areas and are heavily reliant on subsistence agriculture with little or no access to markets. Rural communities are also vulnerable to shocks. In 2015, an El Nino event delayed the rainy season and led to water and food shortages across the country, causing crop failure, reduced family income and 70,000 livestock deaths. The private sector remains small and there are limited employment opportunities. One in four Timorese youth are not at school or work.² Timor-Leste has among the world's lowest rates for women's workforce participation as women continue to face barriers moving from informal to formal work. Doing business is a challenge, with Timor-Leste placed 173 out of 189 in the World Bank's 2016 ease of doing business rankings.

With two-thirds of its 1.17 million population living on less than US\$2 a day, Timor-Leste remains one of the poorest countries in the region. Timor-Leste has one of the world's highest rates of stunting ³ and 1 in 12 children die before the age of five due to poor neonatal health and preventable disease.⁴ Whilst primary school enrolment rates are improving, quality is poor with only one in three grade one students meeting base numeracy standards and fewer meeting literacy standards. Gender equality remains a challenge. Women, on average, have more than five children and the country continues to have one of the region's highest rates of maternal mortality, with more than 1 in every 30 families losing their mother to childbirth. New data shows that 59 per cent of ever-partnered women between 15 and 49 have experienced physical and/or sexual violence by a male partner in their lifetime.⁵ By the end of 2015, Timor-Leste had not achieved any of the eight Millennium Development Goals and had dropped four places in the United Nations ranking for human development.⁶

Development of the resources of the Timor Sea has enabled Timor-Leste to accumulate more than \$16 billion in its Petroleum Fund. Although our differences over Timor Sea issues have affected the bilateral relationship, Australia remains committed, including through development cooperation, to supporting Timor-Leste's development priorities. Our partnership approach aligns with the 'New Deal' principles of the g7+ group of fragile states, of which Timor-Leste is a leading member. In 2015-16 Australia's development assistance was around one-third of all aid to Timor-Leste and four per cent of Timor-Leste's annual budget. Australia is the lead donor in most sectors in which we work; health, education, ending violence against women and agriculture. Other major donors include the United States, the European Union, Japan, the Asian Development as well as bilateral and multilateral partners, including through working groups for aid coordination, agriculture, infrastructure, education and health. As aid becomes a smaller share of Timor-Leste's state budget, Australia remains focused on assisting Timor-Leste to use its own resources to develop the economy and alleviate poverty.

Australia is working in partnership with Timor-Leste to create an environment conducive to economic growth by increasing agricultural productivity and access to markets, strengthening government capacity, improving equality for women and supporting the development of a healthy and educated population. Our aid program has three strategic objectives articulated in the *Aid Investment Plan*: improving livelihoods, enhancing human development and strengthening governance and institutions. Analysis of program performance under each strategic objective is outlined below.

² Timor-Leste Labour Force Survey, 2013

³ Timor-Leste Food and Nutrition Survey, 2013

⁴ Timor-Leste Demographic Health Survey, 2010 and Timor-Leste Census, 2010

⁵ Nabilan Health and Life Experiences Study, 2016

⁶ 2015 HDI Timor-Leste ranked 133 out of 188 compared to 129 out of 187 in 2014

EXPENDITURE

In 2015-16, Australia's total ODA to Timor-Leste was \$99.1 million, down from \$105.9 million in 2014-15.

	A\$ million	% of total ODA
Objective 1: Improving Livelihoods	17.11	17
Objective 2: Enhancing Human Development	29.71	30
Objective 3: Strengthening Governance and Institutions	20.67	21
Multi-sector (operations and cross-cutting)	13.91	14
Sub-Total Bilateral	81.4	71
Regional and Global	16.46	17
Other Government Departments (excluding AFP)	1.21	1
Total ODA Expenditure	99.1	100%

Table 1 Total ODA Expenditure in FY 2015-16

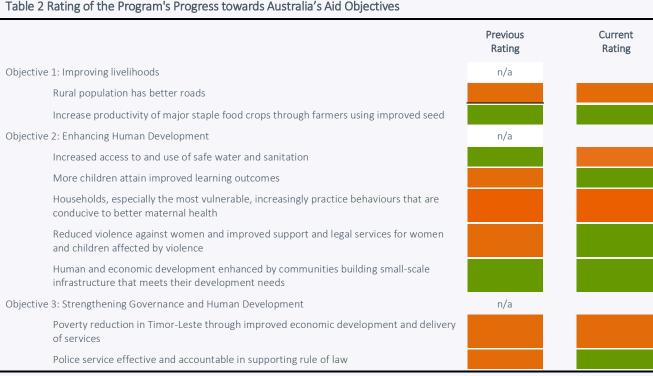
PROGRESS TOWARDS OBJECTIVES

The performance of Australia's aid program to Timor-Leste is assessed under the three strategic objectives and eight performance benchmarks outlined in the *Aid Investment Plan*. Each strategic objective is supported by several sub-objectives reflecting sector based investments. Overall, the performance of Australia's aid program to Timor-Leste improved from last year, particularly under the human development objective as a result of improved program management and consolidation. Lack of capacity and buy-in from the Government of Timor-Leste on reforms continued to slow progress in water and sanitation, infrastructure and governance.

Across all programs we devote attention to improving nutrition, empowering women and girls, and supporting people with disabilities. In November 2015, we launched a disability strategy to ensure disability inclusion is embedded across all our programs. In recognition of this pioneering work, we received a DFAT Good Practice Award for disability-inclusive development and received funds from the DFAT Disability Inclusive Development Fund to mainstream disability across our portfolio and implement disability specific interventions in education, social protection, health and nutrition. We provide direct support to disabled people's organisations like Asosiasaun Defisiensia Timor-Leste and the National Disabled People's Organisation, Ra'es Hadomi Timor Oan.

The Timor-Leste program is committed to addressing **gender inequality** in all aspects of our work. Our Gender Working Group, led by senior managers and established in 2013, continues to meet quarterly to track progress against 56 activities outlined in our Gender Action Plan. Post recently finalised the *Gender Equality and Women's Empowerment Strategy 2016-2021* which expands gender equality and women's empowerment efforts beyond the aid program to the embassy's foreign policy, public and economic diplomacy work.

In 2015-16, the aid program continued to make a tangible difference to the quality of life for women and girls in Timor-Leste. We created job opportunities for women, increased women's voices in community projects, improved maternal care, inclusive education and improved services for survivors of gender-based violence. More than 90 per cent of aid investments were assessed as effectively promoting gender equality and empowering women and girls, compared to just 50 per cent five years ago. The increase reflects the success of our comprehensive approach to gender equality across the program.



Note:

Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

OBJECTIVE 1: IMPROVING LIVELIHOODS

This section includes progress in the following programs: rural roads, agriculture, market access and workforce development.

	Previous Rating	Current Rating
Objective 1.1: Rural population has better roads		

The objective was rated amber in recognition of continued challenges to secure certainty around the Government of Timor-Leste's commitment of funding and staff resources for rural roads maintenance and rehabilitation.

Rural roads are essential to improving economic development opportunities and providing access to basic services such as health and education. Australia's rural roads program, **Roads for Development** (R4D, 2012-16, \$36 million), contributes to the *Strategic Development Plan* target of all roads in Timor-Leste being fully rehabilitated to international standards.

Since 2012, R4D has rehabilitated 131km of 'core rural road' (7 per cent of the 1975km of 'core rural road' in Timor-Leste) and maintained a further 376.1kms of road (19 per cent of 'core rural road'). The program achieved its performance benchmark target for 2015-16 with 27.9km of additional rural roads rehabilitated (original target of 25km). Since 2012, R4D has fostered the private sector in Timor-Leste by generating more than 100 contracts for local construction companies and creating around 570,000 labour days of short-term employment for rural people. In 2015-16, the program delivered formal training (4,329 days) to more than 100 local contractors. While this has improved the quality of roadworks, it is from a lower-than-expected skill base in the general workforce, highlighting the need for regular, ongoing contractor development. Another

challenge for sustainable business growth is the uncertainty and delays with Government of Timor-Leste funding and late payment of invoices for contractors.

High-level policy dialogue and advocacy resulted in increased funding commitment by the Government of Timor-Leste for rehabilitation and maintenance works in their 2016 financial year (USD10 million, up from USD5.1 million in 2015). The Government's commitment to adequate staffing has improved moderately with the Ministry of Public Works, Transport and Communications' (MPWTC) taking responsibility for salary payments for nine contracted temporary MPWTC-R4D staff from January 2016. Nevertheless, despite the relatively small amount of funds involved, uncertainty over the Government of Timor-Leste's financial commitment, not just for roads, but most programs, remains during the 2017 budget preparation cycle.

R4D continued to achieve close to the target of 30 per cent of its labour force being women, with 6,429 women employed on works to date (27 per cent). The program has allocated 135,000 labour days to women, with a total cash transfer in excess of USD635, 000. Impact assessments by the program's Social and Safeguards adviser show that short-term employment opportunities have benefited women by increasing skills confidence in work and expressing opinions within the household. The assessments also show that rural women have experienced improvements in access to more diverse food sources and health services, time reduction in water collection and increased income as a result of improved road access. In 2015-16, around 30 per cent of all contracts were won by female-led companies.

The R4D program has made gradual progress against its aims of strengthening MPWTC's capacity to rehabilitate and maintain the rural road network but further government funding and staff resources are needed to achieve long-term outcomes. Government structural changes over the past year split funding and administrative responsibilities for road maintenance and rehabilitation works between the MPWTC and the Ministry of Planning and Strategic Investment causing additional challenges and delays to contract implementation and the payment of contractors.

In 2015-16, the Timor-Leste program focused on developing the next phase of R4D in partnership with the MPQTC, which will commence in 2017. Responding to the findings of the mid-term review of the first phase, it will focus on institutional reform and capacity development, including at the municipal level, to ensure the Government is well-placed to lead and manage the development of the nation's rural roads network.

Management response: As part of the planned second phase, DFAT will work closely with the Government of Timor-Leste and partners to manage the transition from 2017 incorporating lessons and successes of R4D to date. As part of the second phase, DFAT will seek to enter into a new subsidiary arrangement with the Government of Timor-Leste, linking Australian technical assistance to Government commitments of resources for capital funding, adequate staffing and operational budgets.

Previous Rating Current Rating

Objective 1.2: Increase productivity of major staple food crops through farmers using improved seed

The objective was rated green as a result of key achievements by the Seeds of Life program towards improving Timor-Leste's food security and seed sovereignty through the establishment of a sustainable national seed system (NSS).

Australia's support to the agriculture sector contributes towards the Timor-Leste *Strategic Development Plan* goal of food security by 2020 and an expanded agriculture sector. Australia also supports coordination between development partners and the Ministry of Agriculture and Fisheries (MAF) as co-Chair of the MAF Agriculture and Fisheries Development Partner forum.

Australia's long running **Seeds of Life** (SOL \$36.4 million, 2001-16) program concluded in June 2016 following the transition of responsibility for the NSS to MAF. SOL, co-funded by ACIAR, supported farming households to boost agricultural productivity and self-sufficiency through improved access to more diverse and

productive varieties of staple crops and legumes with the release of 19 new more productive varieties. The end-of-program survey indicated that SOL achieved close to its target of around 50 percent (63,000) of rural households in Timor-Leste adopting and routinely growing improved seed varieties, and 84 percent of these reporting improved yields. SOL has contributed to a decrease in food shortages and created opportunities for household income generation.

The establishment of the NSS, which ensures the supply of quality-tested seeds of all new varieties to farmers, has been a key SOL achievement. SOL helped establish more than 1,200 community seed producer groups (32 per cent of members are female), and worked closely with our Market Development Facility (MDF) to establish a national network including 70 registered commercial seed producers, a national industry association (ANAPROFIKO) and the country's first industry business association on agricultural inputs (ANSA). SOL contributed to economic opportunities through the expansion of agricultural shops and assisted 32 shops in 13 municipalities. SOL also supported the establishment of a national seed council, the revision and approval of a national seed policy and embedding the system at the municipal level which will contribute to the ongoing sustainability of the seed system.

The Government of Timor-Leste has shown commitment to take responsibility for the NSS by fully funding it in 2016 including seed development, procurement and staffing. Even if, as expected, MAF's 2017 budget is cut, there are indications that the NSS will be adequately funded. However, future fluctuations in sector budgets and the 2017 elections pose a risk to ongoing resourcing.

An independent program study in 2015 found that SOL achieved its targets of engaging, on average, onethird female participation across the program including women's engagement in commercial and community seed multiplication initiatives, seed distribution and capacity building activities. In 2015-16, SOL reached 32 per cent of female-headed households to improve seed access by vulnerable households. SOL also established a system to ensure other vulnerable households (family member with a disability, sole parent households or the elderly) had access to improved seeds and other planting materials.

Australia's rural development programs responded to the impacts of **El Niño** in 2015-16 to preserve and improve the livelihoods of Timor's rural population. SOL provided advice to the government on assessments of El Niño and improved resilience through better seed access and more diverse and hardier crops. In addition, we funded the Australian Red Cross and DFAT's Humanitarian Partnership Agreement partners (Care, Oxfam, Caritas, Plan and World Vision) to provide emergency livelihoods, food security, risk reduction, health and hygiene and water management assistance to households affected by drought.

In 2015-16, the Timor-Leste program focused on the design and inception of Australia's new investment in agriculture, To'os Ba Moris Diak (TOMAK) which commenced in June 2016. TOMAK builds on the achievements of SOL and aims to improve food security and nutrition through a market systems approach.

Management response: DFAT's main priority in 2016-17 will be to support implementation of TOMAK during its inception period with a focus on nutrition and its linkages across the whole bilateral program. DFAT will also use its position as the donor representative on the National Seed Council and Australia's close relationship with MAF, including through TOMAK and ACIAR's programs to monitor and advocate for the sustainability of the NSS.

Malnutrition is a key challenge in Timor-Leste with fifty per cent of children stunted. In 2015-16, we commenced a **multi-sector** and **innovative nutrition program** in partnership with 19 existing government and non-government partners, called 'Hamutuk' (\$4.3 million, 2015-18). The program is collaborating with the Australian Department of Prime Minister and Cabinet's Behavioural Insights Unit to develop behaviour change interventions and targeted messaging that make existing activities in agriculture, water, sanitation, hygiene, health and education more nutrition sensitive. With the support of DFAT's InnovationXchange, the program will test a range of technologies to improve information sharing and coordination between partners and to speed up monitoring. For example, each household will have its own QR code which, when scanned, will provide data on recent visits, real-time statistics and reminders to reinforce core behaviour change messages.



Other Livelihood Investments

Australia continued to support the development of Timor-Leste's private sector, particularly through the **Market Development Facility** (MDF \$8 million, 2013-18). MDF created more than \$450,000 in additional income for 2,950 farmers (1160 men and 1790 women) and leveraged over \$1,800,000 in additional private investment. Examples of MDF projects include:

- Working with business partner Timor Global to introduce farm-gate testing for aflatoxin (a carcinogenic mould that reduces crop quality) that will mean farmers can produce higher quality maize that is safer to consume. This gives them access to more markets, including supplying Timorese producers that rely on imported crops and improve farmer and consumer health.
- Partnering with Loja Agi Agricultura, a Dili-based agricultural supply company to make female farmers more productive (for example, teaching safer pesticide spraying and ways to irrigate without carrying water by hand over long distances). Women are involved in 40 per cent of all agricultural roles, but are often not targeted by suppliers and are constrained by a lack of access to good information. This work boosts sales of agricultural products, improves farm productivity and supports women to access and contribute to the formal economy.

In 2016, the Timor-Leste program consolidated its various skills development programs (scholarships, English language training, youth employment training and preparing Timorese for the Seasonal Worker Program) into one **Workforce Development Program** (\$13 million, 2014-19). The program supported the placement of 23 Australia Awardees in 2015 and awarded a further 15 for 2016 (7 female: 8 male).

OBJECTIVE 2 – ENHANCING HUMAN DEVELOPMENT

This section includes progress in the following programs: water and sanitation, education, health, ending violence against women and community development.

	Previous Rating	Current Rating
Objective 2.1: Increased access to and use of safe water and sanitation		

The objective was rated amber in recognition of mixed results in the BESIK program which exceeded targets for sanitation and hygiene activities but fell short of meeting targets for access to clean water supply. While the program successfully advocated for the Government of Timor-Leste to prioritise water supply operations and maintenance (O&M), including through an increase in funding in 2015 and 2016, uncertainty about future resources for O&M and sanitation remain a concern for the sustainability of BESIK's investments.

Australia's support to **rural water and sanitation** aligns with the *Strategic Development Plan* vision of all Timor-Leste citizens having access to clean water and improved sanitation by 2030. This support has been delivered through the Rural Water Supply and Sanitation Program (BESIK, 2012-16, AU\$28 million). BESIK concluded in June 2016 and was Australia's third phase of support for water, sanitation and hygiene in Timor-Leste since 2002. The program reached more than 112,000 people (approximately one in ten Timorese) through water, sanitation and hygiene promotion activities from 2012 to 2016, with 21,775 people gaining improved access to clean water or sanitation and hygiene behaviour change programs in 2015-16, against the performance benchmark target of 23,000.

BESIK's innovative sanitation and hygiene activities in Bobonaro in 2015-16 were a key achievement, increasing sanitation coverage from 47 per cent to 92 per cent of the population. Working with the local government, private sector and NGOs, BESIK provided 54,748 people with improved sanitation and hygiene knowledge through a behaviour change, communication campaign and community engagement processes. BESIK also supported households to build 5,916 new toilets, providing sanitation for an additional 29,580 people in target areas, exceeding the revised target of 25,000. This success can be attributed to strong local

government leadership, efforts to strengthen the government system, complemented by community level activities, which collectively have reduced the risk of disease and improved nutritional outcomes.

Effective policy dialogue and advocacy by BESIK, including the development of analysis to inform the budget, influenced the Government of Timor-Leste to increase funding for water supply O&M from zero in 2014 to USD1.9 million in 2016. BESIK contributed to strengthening Government of Timor-Leste policy in 2015-16, supporting the relevant government departments to finalise the water resource management policy and law and water supply policy, which are currently awaiting approval by the Council of Ministers.

A 2016 BESIK commissioned report found that women beneficiaries are on average saving up to 2 hours and 37 minutes daily from improved water supply. They use this time for productive activities such as gardening, farming, and preparing food stuffs for sale, or other improvements in personal hygiene, domestic cleanliness and food safety. The study also found that improved water supply reduced children's workloads and supported school attendance.

BESIK faced a range of challenges including leadership change and a 30 per cent budget cut by DFAT in 2015 that involved substantial international and local staff reductions and was accompanied by a change in the program scope to focus more on strengthening government service delivery. These issues were exacerbated by inadequate resourcing from the government in sanitation. Even so, BESIK responded flexibly to these challenges and was able to support significant improvements in water and sanitation.

BESIK continued to support disability-inclusiveness through development of a disability module in partnership with Ra'es Hadomi Timor Oan (RHTO)(National Disabled People's organisation) and WaterAid to raise awareness among municipal-level water and sanitation staff about the issues faced by people with a disability. The module was trialled in Liquica in April 2016 will be used more widely. BESIK also helped the government introduce systems to maximise improved access and accessibility of WASH infrastructure by people living with a disability.

Management response: DFAT's budget for water and sanitation has been substantially reduced over 2016-17 to allow time to consider support to the sector as part of our Partnership for Human Development. Staff from the Human Development team will work with counterparts at the Ministry of Health (MoH) to progress Australia's support in sanitation and will consult with counterparts from the MPWTC and other stakeholders as they consider possible future support in water.

	Previous Rating	Current Rating
Objective 2.2: More children attain improved learning outcomes		
The objective was rated areen in recognition of the reestablishment of a str	ona working relations	hin with the

The objective was rated green in recognition of the reestablishment of a strong working relationship with the Ministry of Education (MoE). This led to the design and implementation of the Professional Learning and Mentoring Program, a program for teachers and school leaders which will support the implementation of Timor-Leste's new basic education curriculum.

Australia's **education program** (\$23 million, 2012-2018) supports Timor-Leste's *National Education Strategic Plan* and *Strategic Development Plan* which outline a vision of quality education for all Timorese children. Australia's support aims to improve learning outcomes in the early school years, in particular to improve literacy and numeracy, and to help the MoE address system constraints. The priority of MoE during 2015-16 was to roll-out its new student-centred basic education curriculum, which focuses on improving literacy and numeracy.

Over 2015-16, by working beside MoE and responding to the Ministry's priorities, DFAT re-established itself as a trusted and preferred partner. In this period, the MoE's first priority was to develop and implement a nation-wide distribution system to deliver the new basic education curriculum and associated materials (140 items per school) to the country's 1133 primary schools and 280 preschools. DFAT and MoE jointly committed resources to develop packing and distribution systems that delivered resources to 94 per cent of

rural schools and 100 per cent of preschools, exceeding shared expectations given the challenging topography in Timor-Leste. Distribution will continue biannually to update materials, with the MoE now funding the majority of costs. We also engaged an education economist to map both physical infrastructure and human resource needs from now to 2030, to enable the Ministry to make evidence-based budget bids for education resources in a fiscally constrained budgetary environment.

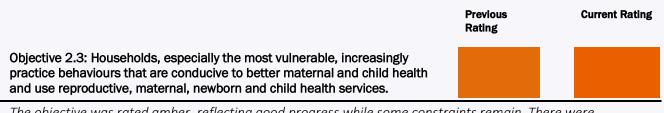
A key area of support in 2015-16 was our response to MoE's request to improve teacher performance and support education leaders to use the new curriculum. With MoE, we designed a Professional Learning and Mentoring Program (PLMP), and launched a pilot in 60 schools in two districts in April 2016. The program involves tailored training for school leaders, backed up by regular classroom observation of teachers, inclassroom mentoring of teachers by international and national mentors, weekly peer learning sessions. School clusters are required to nominate women as well as men to participate in the program, and mentoring includes checking that girls as well as boys are being called on in lessons. Early audits of the program found positive changes in teaching, and reports document that teachers who are participating in the program are implementing child centred and active learning practices.

MoE has committed its own resources to the PLMP, recruiting local mentors to work with Australian funded mentors, and requested the program be expanded to six districts by 2017 with a schedule for national rollout over the next five years. Another 120 schools will come on line in July 2016. The program will track trends in literacy and numeracy on a regular basis through mini Early Grade Reading (EGRA) and Mathematics Assessments (EGMA), to measure the impact of both the new curriculum and the PLMP on learning outcomes, and to inform changes to the program and curriculum where challenges are identified.

Poor literacy and numeracy has also been linked to a lack of learning resources in accessible languages. In 2015-16, Australia provided literacy and sports packs to all primary schools to bridge a gap in Tetum learning resources. Australia also continued to fund a MoE led mother-tongue pilot, implemented by the UNESCO National Commission, which included development and distribution of reading materials in three local languages. Early results show that there are nearly four times as many students in the mother-tongue schools who are classified as good readers than in non-pilot public schools. Australia will continue to support the pilot to provide evidence for the MoE to use when making policy decisions about language of instruction in the early school years.

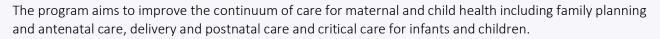
Beyond our engagement with MoE, Australia continued its teacher training programs with the Alola Foundation and the Baucau Catholic Teachers College which trained 262 pre-service and in-service teachers (184 female: 78 male) in 2015-16, in line with expected targets. Several of these graduates are now working as mentors through the PLMP.

Management response: We will formally transition our support to the Alola Foundation and the Baucau Catholic Teachers College to work as part of PLMP in 2016-17. We will also work enhance our support to assist school leaders and teachers understand and respond to the needs of children with a disability, to assist MoE realise their goal of inclusive education.



The objective was rated amber, reflecting good progress while some constraints remain. There were improvements in maternal and child health services and the skills development of doctors, midwives and paramedics. However, the health portfolio was administratively burdensome.

Australia is the largest bilateral health donor (\$28 million, 2014-18) to Timor-Leste's health sector and focuses support on **improving maternal and child health** in line with the *National Health Sector Support Plan*.



In 2015-16 the program maintained its support to improving access to family planning services, in particular long term methods of contraception like implants which provide five years contraception. Through our service partners we provided more than 34,000 family planning services across 11 of 13 municipalities, up from coverage in 8 municipalities in 2014-15. We reached more than 76,000 people or around one in 15 Timorese, with family planning education programs. We supported the launch of a youth hotline for sexual and reproductive health with more than 16,000 callers accessing this in the first 12 months.

The program continued to focus on improved quality of care by training health professionals. Our support upskilled doctors through the National Hospital as part of our long term partnership with the Royal Australasian College of Surgeons (RACS). International specialists in obstetrics, emergency medicine, surgery, anaesthetics, paediatrics and family medicine train up to 40 merit selected junior doctors (equal numbers of male and female) a year for two-year internships. This complements the academic qualification that Timorese doctors have been receiving in Cuba, funded through the MoH. Challenges remain in this part of the program; in 2015-16 the Government limited the RACS intern positions following their decision to deploy junior doctors to the municipalities and there are ongoing difficulties for the accreditation of the RACS trained junior doctors.

Australia continued to support health transport services to improve access to emergency care. During 2015-16, a transport emergency hotline (fully staffed by Red Cross volunteers) was introduced, a female mechanic joined the maintenance team and three-wheel community staffed ambulances were introduced as a pilot on Atauro Island. Birthing kits were rolled-out to all 120 ambulances and multi-function vehicles.

A key achievement in 2015-16 was the implementation of the innovative *Liga Inan* 'Connecting Mums' pilot program which has led to more women seeking antenatal care and giving birth with the assistance of a health professional. The program uses simple mobile phone technology to facilitate communication and build trust between expectant mothers and community health workers. An impact evaluation led by the MoH in September 2015, found that women in the program in Manufahi were nearly twice as likely to have a skilled birth attendant and deliver at a health centre. They were also seven times more likely to have a postpartum care visit and five times more likely to have their newborns receive a postnatal visit within two days of delivery, compared with the control site. The program trained 250 midwives on safe and clean birth delivery in rural health centres and posts in response to the increased demand.

The management of the program remained administratively burdensome, with three3 separate modalities. This limited our capacity to undertake a sector-wide assessment of whether our investments are the most appropriate to improve maternal and child health. Additionally, the World Bank, MoH and DFAT were unable to reach agreement on the expenditure of remaining funds in the World Bank Trust Fund.

The improvement of monitoring and evaluation systems was a significant focus in 2015, and included the development of an M&E plan and the replacement of lengthy program reporting with targeted performance discussions. To ensure our programs were inclusive, a qualitative study was conducted to better understand challenges faced by women with a disability in maternal health. This will inform programs in 2016-17.

Management response: The Health team will support the transition of the program to the Australia Timor-Leste Partnership for Human Development from July 2016. The current investments will be reviewed as part of the transition to take on board research findings and to ensure our investments are best targeted towards improving maternal and child health.

 Previous Rating
 Current Rating

 Objective 2.4: Reduced violence against women and improved support and legal services for women and children affected by violence
 Image: Current Rating Current Ratin

The objective was rated green in recognition of the program's effective transition from mobilisation to implementation which resulted in the delivery of more and higher quality support services to women and children affected by violence, despite budget reductions. Baseline research, finalised this year, will provide data to measure success over the life of the program and inform the design of critical violence prevention activities to contribute to reduced levels of violence against women.

In 2015-16, Australia's Nabilan (Ending Violence Against Women) Program (\$17.75m; 2014-18) made significant progress and is on track to achieving its goal of contributing to reduced rates of gender-based violence and improving the wellbeing of women and children affected by violence in Timor-Leste. The program is implemented by The Asia Foundation and works across government and civil-society organisations to develop research, prevent violence as well as provide services and access to justice for survivors of violence in line with Timor Leste's National Action Plan for Gender-Based Violence (NAP).

A major achievement for the program in 2015-16 was the finalisation of Nabilan *Health and Life Experiences Baseline Study* on the national prevalence and perpetration of violence in Timor-Leste. The study confirmed Nabilan's relevance with 59 per cent of ever-partnered women between 15 and 49 reporting that they had experienced physical and/or sexual violence by a male partner in their lifetime, a rate higher than most countries in South-East Asia. The study establishes a baseline for the program to track progress against intended outcomes, identify gaps in services and is informing the design of prevention programs. For example, the study highlighted the urgent need to target older boys with sexual violence prevention messages around consent and respect given more than half the men who perpetrated rape had first done so as teenagers. The study's findings have been cited by the Prime Minister, used by other organisations and partners and have informed the design of violence prevention toolkits by the Government of Timor-Leste and the revision of the NAP.

Nabilan continued to support local service providers to deliver improved support and legal services for an increasing number of women and children affected by violence. In 2015-16, 5,353 support services were provided to both new and existing clients including legal support, medical treatment, shelter, counselling and life skills training. This includes services for 1,121 new female survivors of violence (at least 27 were persons with a disability), exceeding the revised program performance benchmark of 1,000. Nabilan delivered disability awareness training to all service providers, improved physical accessibility to some services and is funding an EVAW officer within the national disabled people's organisations to raise awareness of referral options and link people to services. Nabilan monitored more than 1,700 court cases to build evidence and understanding of women's experience of the justice system and has contributed to increased use of conditionality on court sentences for gender-based violence. Nabilan also supported a local legal aid organisation to prepare the first Timorese complaint to any human rights treaty body, under the Optional Protocol of the CEDAW Committee, on behalf of a client serving a 15 year prison sentence for murdering her husband in self-defence, leading to a presidential pardon.

Nabilan has strong partnerships with the Government and leads donor coordination efforts around gender, convening regular research and gender forums to address gaps in service delivery and support evidencebased programming. A government coordination mechanism and increased authority, capacity and budget of relevant Government ministries are needed to enhance success. The program also coordinates with activities to address gender-based violence under the Timor-Leste Police Development Program.

Management Response: DFAT will apply for Gender Equality Fund and Innovation funds to more widely use the baseline data for prevention activities including through the development of a TV series aimed at opening the conversation around violence and changing the behaviours of teenage boys. An independent review will inform the decision about a possible second phase of Nabilan post-2018.



The objective was rated green to reflect good and on-track progress made despite budget reductions, political change and uncertainty around the new Government of Timor-Leste budget commitment for the National Program for Village Development (PNDS) in 2015.

PNDS is a Government of Timor-Leste community development program that aims to improve human development and economic growth at the village level. It is a key element of the Government of Timor-Leste's strategy to improve rural development. There is broad government support for PNDS with the President, the Prime Minister and relevant Ministers publicly reaffirming their support in 2015 and the budget commitment to PNDS maintained in 2016.

PNDS provides communities with an annual grant of around USD50, 000 to construct, manage and maintain small scale infrastructure projects. These projects include building or refurbishing irrigation channels, bridges, motorbike paths, market places, water systems, schools or health posts. PNDS is a nation-wide program using a direct funding, community-driven approach that reaches all villages. According to independent monitoring and research by The Asia Foundation and supported by DFAT, the program has led to the Government of Timor-Leste achieving improvements in local governance, local economic stimulation, increased access to basic services and community empowerment for people living in poverty.

Australia's **PNDS Support Program** (PNDSSP, \$42million, 2012-17) supports the government's program goals and aims to help the government secure sufficient resources for PNDS, build and improve the use of systems to implement PNDS, and foster better leadership and management by PNDS staff. Australia does not contribute funds to PNDS grants; these are funded by the Government of Timor-Leste to ensure local ownership and sustainability.

Since June 2013, more than 1,000 PNDS projects have been constructed across all of Timor's 442 villages, which is on track for end of program targets. In the reporting period more than 38,300 people participated in a PNDS project and more than 22,800 people undertook community-based PNDS training. This training helped build skills to manage and implement the grants; examples of the effectiveness of the training are that during 2016, 85 per cent of communities demonstrated money management skills in their handling of the grants and 84 per cent of PNDS projects were rated as good on construction quality during the annual technical audit, exceeding the 2015-16 performance benchmark of 70 per cent.

PNDSSP showed flexibility throughout 2015-16, providing quality support despite budget reductions. PNDSSP and the Government of Timor-Leste agreed on revised priorities and identified areas for improved efficiency. Australia has also revised PNDSSP management structure following budget cuts, staff reductions and evolution of the program from its establishment phase. Australia's continued policy dialogue and advocacy contributed to the Government of Timor-Leste 2016 budget commitment for PNDS.

Gender equality remained a focus of PNDS, with its gender strategy and action plan finalised in 2015. An independent review in April 2016 found that PNDSSP provides very effective support on gender equality and has made good progress on promoting disability-inclusive development. Women's participation in PNDS processes is on target at 40 per cent, with participation at 45 per cent in priority setting at the village level. Training on gender and disability-inclusive development has been provided to municipal PNDS directors and standard PNDS construction includes accessible points for people with a disability. The review found that over the long term PNDS has the potential to achieve transformational change in gender equality. PNDSSP works with the national disabled people's organisation (RHTO) to provide training for PNDS facilitators on disability inclusive approaches.



Management response: DFAT's will advocate to ensure Timor-Leste budget support for 2017 PNDS grants. Post will also look to build stronger links between civil society organisations and PNDS.

OBJECTIVE 3 – STRENGTHENING GOVERNANCE AND INSTITUTIONS

This section includes progress in the following programs: governance for development and policing.

	Previous Rating	Current Rating
Objective 3.1 Poverty reduction in Timor-Leste through improved economic development and delivery of services		

While Australia's economic governance programs performed well during the assessment period, concerns about the efficiency and effectiveness of direct budget support (DBS) to the Ministry of Finance brought the overall rating down to amber. The DBS program was ended in June 2016.

Australia's **Governance for Development** (GfD)(\$58 million, 2013-18) program supports the Government of Timor-Leste to reduce poverty in Timor-Leste through economic development and the delivery of services. This includes technical assistance to make budgets sustainable, increase non-oil economic growth and improve service delivery through better central agency budget and human resource systems.

GfD's core work is supporting central and key economic agencies, including the Prime Minister's Office (OPM) and the ministries responsible for finance, economic coordination, the civil service, telecommunications and statistics. GfD also works to resolve public financial management (PFM) issues in the health, public works and social solidarity ministries. GfD does this by providing technical advisers to work in Ministries or DFAT staff working directly with government.

GfD supports the priorities of the government, and responded quickly to an April 2016 request from OPM for technical assistance to link budget to service delivery. The OPM has expressed appreciation for the prompt and flexible response. This support for public financial management reform will enable ministries to link budget choices to service delivery outcomes for the first time in Timor-Leste in the 2017 budget. It will also provide better quality information for ministries, members of government and parliament, donors, media and civil society to have a more informed, results-oriented debate about the best use of resources and to better understand the impact of budget decisions on service delivery. The strong demand for this support (23 ministries participated up from 10 originally planned) illustrates the value placed on this program. This work is also a first step towards multi-year budget planning.

Australia helped the Office of the Minister of State, Coordinating Minister for Economic Affairs (MECAE) to strengthen economic policy making and coordination across government through the provision of technical advice that enabled MECAE to build internal systems to develop, consult and implement economic policy and law. For example, Australian technical assistance has supported the development of a private investment law that will improve the investment landscape in Timor-Leste, encouraging local and foreign investment and economic diversification.

In partnership with the Civil Service Commission (CSC), we are working to improve human resource systems within government and to build skills and leadership across the public service. With support from an Australian-funded technical adviser, the CSC's strategic plan for the public service now includes a goal to create a diverse civil service with implementation strategies to increase the number of women in leadership roles and the representation of people with a disability across the public service. GfD also built future leadership across the public sector by supporting national early-career professionals to increase skills and experience through on-the-job training.

Australia's **direct budget support** (\$12 million, 2014-18) to the Ministry of Finance did not perform well during the assessment period and, as a result, has been discontinued. This support was intended to help support the Ministry to improve the way it undertakes public financial management reform. While promising progress was made in the second half of 2014, during 2015 a rigorous monitoring and evaluation and risk management process identified a range of concerns which were raised with the Ministry, and subsequently the support was ended. Future support for public financial management reform will be implemented in the broader GfD program.

A partnership with the Australian Bureau of Statistics helped support the national statistics office run the 2015 census by itself for the first time. This included helping target the census to women-only households and to collect gender-relevant data about the head of household. Preliminary results released in October 2015 have improved the evidence base for economic policy making with the Government of Timor-Leste. Our partnership with The Asia Foundation helped to implement a request from the Prime Minister for citizen feedback on the quality of government agriculture, infrastructure, education, and health services to improve service delivery. We also supported The Asia Foundation to assist the Ministry of Tourism to develop a national tourism and branding campaign to grow this important non-oil sector of the economy.

Support to the International Finance Corporation to improve business licensing processes has reduced the time it takes to set up a business from 90 to 9 days, and further progress is being made. This will support efforts to develop the private sector and boost economic growth. We also supported research in areas of economic development through Monash University. In 2016 this included studies on measuring poverty and economic development in Timor-Leste. Our economic governance work is also supported by our work on private sector development and diversification through the Market Development Facility (see p.8).

Management response: Elections in Timor-Leste in mid-2017 will provide challenges and opportunities for Australia's economic governance programs. There will be more opportunities to support good reform work in support of economic diversification and private sector growth as the current government completes its term, and then challenges as government business slows ahead of the election. DFAT's economic governance team will make the most of chances to support good work, while also ensuring that reforms are given enough time and resources to survive beyond the pre-election period.

	Previous Rating	Current Rating
Objective 3.2 Police service effective and accountable in supporting rule of law		

The green rating reflects the positive changes by Policia Nacional de Timor-Leste (PNTL) to improve governance standards, strengthen management and leadership development and promote gender initiatives with AFP support.

The Australian Federal Police (AFP) delivers Australia's support against this objective through the Timor-Leste Police Development Program (TLPDP). The AFP has provided development support to the PNTL since 2004 and is the longest serving development partner to the PNTL. The current phase of TLPDP supports the PNTL to build its organisational strength and operational policing capacity.

Continual improvements within the PNTL have translated to more positive perceptions of safety and the effectiveness of police in Timor-Leste. In 2015, TLPDP co-financed the third Community Police Perceptions Study which found that 51 per cent of the public reported felt somewhat or very concerned about their safety, a drop of 13 per cent from 2013. The general public's perception that citizens and police were working together to address security problems in their community has increased markedly to 84 per cent in 2015 from just 50 per cent in 2013. Victims are also more likely today than they were in 2013 to seek PNTL assistance in the first instance with 99 per cent of the general public reporting that they trusted the police.

Significant progress has been made with increasing local ownership of TLPDP activities and alignment with PNTL systems. The commitment of the PNTL Commander General to chair the newly established TLPDP Program Coordination Board will ensure the program remains relevant to the PNTL and growing PNTL ownership of the activities of the TLPDP. Nine joint work plans supporting PNTL/TLPDP capacity development activities for 2016-17 have been created that focus on priorities of governance, leadership and training, gender and specialist operational support. Progress against the work plans will be monitored and evaluated by the Board.

In 2015-16 the PNTL gradually increased its delivery of training courses previously delivered by the TLPDP/AFP. For the first time, the PNTL took responsibility to deliver training courses with limited input from TLPDP. The PNTL delivered over 80 per cent of Command Control and Coordination (C3) courses (132 participants), Investigations Level 1 training (30 participants), and delivered 26 Incident Management System (IMS) courses (601 participants). These courses had previously been delivered entirely by TLPDP. This increased capacity validates the train the trainer and accompaniment model utilised by TLPDP which will continue into 2016-17.

The PNTL demonstrated its increased capacity and professionalism while managing medium to large scale protests in Dili that occurred in February and March 2016. The capabilities demonstrated by the PNTL during this period are a strong indication of the effectiveness of C3, leadership and "first responder" training courses delivered through TLPDP over the past two years. The PNTL developed operational orders for these events without AFP assistance and implemented the orders with only minor advisory support from the AFP. Continued improvement in event/crisis management will be a focus of further TLPDP/PNTL cooperation in the lead up to national elections in 2017.

In 2015-16 TLPDP supported the roll out of the Incident Management System (IMS) which registered 4,004 incidents, an increase of 10 per cent from the previous year. PNTL have embedded IMS training into existing courses such as the Investigation Level 1 Course, to ensure training is targeted and remains relevant to the primary and end users. Through TLPDP supported training, the PNTL is progressively increasing the analytical skills of IMS staff enabling enhanced reporting through improved information management, leading to more effective operational decision making by PNTL management.

The PNTL and TLPDP worked together on a gender based environmental scan, the results of which have informed a two-step strategy to improve gender equality within the PNTL. Under the direction of the Program Coordination Board, and with support of TLPDP, the PNTL will implement the strategy during 2016-17 with a focus on improving policing responsiveness to gender based violence, improving the status and profile of female PNTL officers and addressing the declining recruitment rate of women recruits. In 2015-16, the PNTL prioritised the upgrading of the facilities in 10 Vulnerable Person Units which has created suitable and safe setting for victims and witnesses when reporting instances of gender based violence. TLPDP also supported PNTL to deliver domestic violence awareness campaigns in all 13 districts and contributed to the development of the revised Timor-Leste National Action Plan on Gender Based Violence.

Management response: The AFP will work to consolidate the PNTL/TLPDP Program Coordination Board and monitor progress on work plan activities during 2016-17. The national elections in 2017 are likely to create scheduling and accessibility challenges for the mainstream activities of TLPDP, but also provide opportunities to support the PNTL in its role in the lead up to and during the elections.

PERFORMANCE BENCHMARKS

Performance benchmarks were established for the program in the *Aid Investment Plan* which was finalised in September 2015. In 2015-16, three of our eight benchmarks were achieved, two were not able to be measured and three were partly-achieved as outlined in **Annex B**. The benchmark target relating to services for women and girls affected by violence was revised and lowered to reflect a program budget cut of 20 per

cent and subsequent reductions in grant funding to service providers. For reporting in 2016-17 and beyond, we will further revise our performance benchmarks to ensure they reflect changes in our aid program. For example, we will finalise a new performance benchmark for the health program, given it represents our largest spend in the human development pillar, revise our economic governance target given the changes to our assistance in this sector and confirm our rural development targets are appropriate for the recently launched TOMAK program. We will use the expertise of the M&E house to assist make these revisions. The table below outlines the current targets for the next three financial years.

The program continued to track well against DFAT's ten high level targets for improved accountability and effectiveness outlined in the *Making Performance Count* strategy. In 2015-16, 21 per cent of bilateral aid to Timor-Leste was directed to aid-for-trade investments and the program exceeded the target for empowering women and girls with 91 per cent of investments effectively addressing gender issues. The program delivered high standards for value-for-money with 91 per cent of investments meeting effectiveness and efficiency standards. One investment that did not meet value-for-money standards was cancelled. In 2015-16, the number of investments remained the same (having already exceeded the 20 per cent consolidation target) however the program reduced the overall number of individual agreements and contracts by 16 per cent, improving our efficiency.

		2016-17	2017-18	2018-19
Obje	ctive 1: Improving livelihoods			
1.1	275km of additional rural roads are rehabilitated	75km	100km	100km
1.2	30% of farming households in the targeted area will experience a significant increase in income	10% of households	20% of households	30% of households
Obje	ctive 2: Enhancing human development			
2.1	4700 additional women and girls affected by violence are accessing legal, medical and social support services	1300	1600	1800
2.2	80% of village infrastructure built by the National Program for Village Development is rated 'good' against technical standards and assessments	75%	80%	80%
Obje	ctive 3: Strengthening governance and institutions			
3.1	Improvements in the rating of police in a small set (4) of specific questions in a yearly national Community Perceptions Survey	improvement on 1 or more measures	improvement on 2 or more measures	improvement on all 4 measures
Multi	-sector performance benchmark			
	By 2018-19, the prevalence of stunting among children 0-23 months in target sites reduces by 10% of 2015-16 prevalence.			10% reduction from baseline (2015-16)

Performance Benchmarks 2016-17 to 2018-19

MUTUAL OBLIGATIONS

In the 2011 *Strategic Planning Agreement for Development,* Australia committed to delivering a high quality program in line with Timor-Leste's own *Strategic Development Plan* and sectoral development plans and Timor-Leste committed to pursuing poverty reduction and inclusive economic growth. Our assistance has been delivered in line with the principles and sector priorities identified in both the Agreement and Strategic Plan. An update to the Strategic Planning Agreement and high level talks were not pursued in 2015.

We regularly discuss and consult with government partners and have particularly strong relationships and regular senior level engagement with the MoH, the MoE and the MAF with whom we implement jointly agreed priorities and annual work plans.

In line with Australia and Timor-Leste's commitments under the *New Deal for Engagement in Fragile States,* our investments that strengthen and support Timorese Government systems include Governance for Development (working with the OPM and 23 other ministries to improve public financial management), Roads for Development (supporting the MPWTC to help rehabilitate and maintain rural roads by supporting improved planning, budgeting and contracting of rural road works) and the PNDS Support Program (helping the Ministry for State Administration to better manage its program of small grants to villages to plan, construct and manage their own infrastructure projects). We have also contributed to policy advocacy to secure Government of Timor-Leste funding for rural roads, water supply system maintenance and PNDS. Going forward, our programs are placing a stronger emphasis on mutual accountability for resources and results, for example financing commitments for roads maintenance. Where mutual obligations are not being met, we have adjusted our programs, for example ending direct budget support to the Ministry of Finance in mid-2016.

PROGRAM QUALITY AND PARTNER PERFORMANCE

Our monitoring and evaluation work provides good information about performance within our individual investments and we have invested significant resources in building staff monitoring and evaluation capacity. In 2015-16, we completed evaluations in our water and sanitation, agriculture programs and in MDF and PNDSSP that have informed our assessment of performance in this report. A forward evaluation pipeline is outlined in **Annex C**. However, we can improve our reporting at a whole-of-program level and in late 2016 will launch a new approach to monitoring and evaluation, Buka Hatene – which means 'to seek knowledge' in Tetum – and also known as 'the M&E House'. The M&E House will assist DFAT to review strategic priorities and objectives, support more consistent monitoring and evaluation in programs and help Embassy and contractor staff use performance information to improve program effectiveness. This will enable us to report against performance for our individual investments and at the whole-of portfolio level.

ANALYSIS OF AID QUALITY CHECKS (AQCS)

Aid Quality Checks showed improved investment performance in 2015-16 (see **Annex D**). Twelve AQCs were undertaken in early 2016 and were rigorously contested through peer review. High scores for effectiveness, efficiency and gender equality were consistent across the program, with the exception of direct budget support to the Ministry of Finance. M&E and sustainability scores for all investments were four or higher, which is satisfactory, but suggests that there is room for improvement. As noted above, the new M&E House will help programs use targeted and influential data to inform better program decision-making and performance. Where AQCs identified poor program performance, we took action. For example, low effectiveness, efficiency and gender equality scores for the direct budget support program to the Ministry of Finance led to further discussions and the program was ended in June.

PERFORMANCE OF KEY DELIVERY PARTNERS

We work with a large range of partners in Timor-Leste including the government, NGOs, multilateral organisations and managing contractors. Fourteen Partner Performance Assessments (PPAs) were conducted in early 2016 (eight commercial suppliers, four NGOs, one multilateral organisation and one academic institution). All PPAs found partners had achieved satisfactory scores on all assessment criteria. Where there have been concerns with partner performance (for example, the effectiveness and efficiency of supporting the World Bank through one trust fund), concerns have been raised with partners and action taken to discontinue support that isn't working effectively.



Table 3 Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?	Risk Rating (low, medium, high, very high)
Political and/or bureaucratic uncertainty (including in the lead-up to elections in 2017) affects program implementation	Regular and active engagement with counterpart ministries. Where appropriate, responsiveness to changing ministerial priorities and provision of technical assistance.	Link closely with political team at embassy to understand and predict possible changes. Closely monitor aid investment performance. Advocacy to ensure GoTL commits to its articulated development priorities and plans. Proactive engagement with incoming government officials.	High
Disagreements between Australia and Timor-Leste on maritime boundaries affect the development partnership	Close communication and deepening of relationships with central and line ministries at all levels.	Continue to build strong relationships with key GoTL counterparts to deliver an effective, efficient and resilient aid program. Enhanced public diplomacy efforts to communicate effectiveness and impact of Australian aid.	High
Weak quality of expenditure by Government of Timor-Leste undermines social and economic development and effectiveness of the development partnership	Continued support to GoTL central and key economic agencies to progress reforms and improve systems. Australian support for improved public financial management through the GfD program improved budget planning and reporting processes across 23 ministries, and increased level of information that will be available about government policy and spending priorities in 2017. Informed assessments about GoTL commitments and capacity shaped design, modalities and partnerships in new programs.	Continue to monitor GoTL's ambitious reform agenda, and target support to areas where progress is being made. Advocate to the GoTL and in coalition with other donors on budget commitments for service delivery, fiscal sustainability and economic diversification. Continue to push for mutual accountability and obligations across programs. Maintain mix of programs with government and non-government partners. Programs to realistically assess GoTL contributions and capacities and shape programs in response.	High
Consolidation of one-third of aid program into the Partnership for Human Development risks loss of direct relationships or does not lead to more efficient or effective delivery of activities	Strong design and thorough consultation and tender processes.	Direct more staff time to relationship building within and across sectors and GoTL agencies. Active management of the contract. Australian head of managing contractor to visit biannually to quality assure implementation. DFAT's Aid and Contracting Division will undertake review six months into implementation.	Medium

MANAGEMENT RESPONSES

The program made sound progress against management responses identified in the 2015-16 APPR (Annex A). Out of fourteen actions across the program, ten were achieved, two were partly-achieved and two not achieved. Progress was tracked on a monthly basis as part of management dashboard meetings between senior and program staff in Dili and in Canberra.

As well as the management responses identified under each strategic objective, in 2016-17 Australia's aid program will:

Strategic:

- Closely monitor political developments related to the 2017 presidential and parliamentary elections. We will respond to opportunities to support good reform work as the current government completes its term and manage risks as government business slows around the election.
- Ensure active management of relationships with government, other development partners and across the sectors of programs as we transition to new programs. We will leverage the Partnership for Human Development and hold regular team leader meetings to break down silos and share program successes and lessons learned.
- Take a stronger lead in donor coordination with a view to better coordinate policy advocacy with the Government of Timor-Leste. We will establish a more formal structure for donor coordination in the infrastructure sector and continue to chair sector working groups.



Operational:

- Improve program performance reporting. With assistance from of the M&E House, we will finalise a performance assessment framework in line with the AIP to strengthen our ability to measure and communicate results. We will review the framework every six months.
- Focus on smooth transition and implementation of new investments in human development, agriculture and monitoring and evaluation. We will ensure transition plans are in place, there is effective communication with partners and that senior management has ongoing visibility of progress.
- Progress opportunities for disability inclusive development mainstreaming and improved reporting in each of our programs. The new Partnership for Human Development will ensure disability is central to work in health, education, nutrition and gender sectors and we will focus on support to existing and new programs such as PNDS, TOMAK, M&E House and GfD.

ANNEX A - PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Management responses identified in 2014-15 APPR

The Post will draw on evidence-based analysis to inform dialogue with the Ministry of Finance and key line ministries on policy challenges across all three levels of public finance management: fiscal sustainability, allocative efficiency and operational performance.

The Post will build flexibility into programs to respond to Timor-Leste's emerging/changing priorities, where appropriate, while focusing on achieving high level outcomes. We will continue to build trust, strong relationships, and a strong understanding of the political economic context.

The Post will agree development priorities with the Government of Timor-Leste through an updated Australia-Timor-Leste high-level agreement (to succeed the *Strategic Planning Agreement on Development*).

The Post will manage the Australian Official Development Assistance budget uncertainty by maintaining flexibility within the existing program, communicating regularly with partners on budget implications, and focusing on program efficiency through consolidation of contractors.

The Post will take a new approach to strengthening performance by setting up a monitoring and evaluation services provider contractor.

Objective 1: Improving livelihoods

1.1 Rural Population has better roads

DFAT will explore options, through a design by early 2016, for the structure of a second phase of R4D that take into account the ongoing challenges with joint resourcing.

Rating

Progress made in 2015-16

Improvements in public financial management have occurred as a result of our work with the OPM and relevant line ministries. The introduction of program classifications in the budget process will guide budget planning and implementation across the civil service.

In education, we responded to requests from the Ministry of Education with assistance to distribute the new school curriculum and to implement a new teacher training and mentoring program to support use of the curriculum. When opportunities arose to support the OPM to strengthen public financial management, we responded quickly with support. We supported the Office of the Minister of State, Coordinating Minister for Economic Affairs (MECAE) in response to opportunities to advance private investment law and strengthen economic policy making. Our quick response to opportunity in the Civic Service Commission has meant that the Governments Civil Service strategic plan includes specific provisions for social inclusion.

Due to broader issues in the bilateral relationship, we have not developed a new high-level agreement to succeed the current agreement.

The program responded effectively to a budget adjustment over the reporting period and delivered 100% on-time expenditure of program funds. We tendered and awarded a contract to consolidate all human development investments under one partnership. We also consolidated all workforce development activities under one investment including Australia Awards, skills development and English language training.

In 2015-16 the program designed and tendered a new monitoring and evaluation service, 'Buka Hatene' – the M&E house.

A design process for Phase II of R4D was undertaken and the final design will be completed in late 2016 with planned implementation beginning in January 2017. The new phase will be a two year program with the option to extend for another two years, proceeding only if key commitments for staffing and funding for capital works and operational costs are met. Negotiations with the Government of Timor-Leste on a new Subsidiary Arrangement for the implementation of Phase II are planned for August and September 2016. The new Subsidiary Arrangement will explicitly outline the government's mutual obligations

1.2 Increase productivity of major staple food crops through farmers using improved seed

DFAT will closely oversee the transition from Seeds of Life to TOMAK (and forthcoming ACIAR activities), to support the sustainability of SOL achievements in the Ministry of Agriculture and Fisheries and ensure TOMAK's inception period draws heavily on SOL experience, analytical work and relationships.

Objective 2: Enhancing Human Development

2.1 Increased access to and use of safe water and sanitation

Australia will encourage the MoH to commit budget and resources to support the scale up of sanitation and hygiene promotion activities.

2.2 More children and youth attain improved learning outcomes and employability

DFAT will finalise new basic education support with the Ministry of Education, working to the Ministry's priorities and timetable within budget limitations.

2.3 Households, especially the most vulnerable, increasingly practice behaviours that are conducive to better maternal and child health and nutrition and use reproductive maternal, newborn and child health services

By mid-2016, DFAT will transition all health program activities to a consolidated contractor, with the tender for the new contractor being advertised in late 2015.

2.4 Reduced violence against women and improved support and legal services for women and children affected by violence

DFAT and TAF will use the data generated by the baseline survey to strengthen both DFAT's and SEM's advocacy for resources and better coordination for Ending Violence Against Women within the framework of the National Action Plan revisions before the end of 2015.

The transition process has taken place as planned with MAF gradually taking over key responsibilities to manage and fund the National Seed System (NSS - SOL's legacy). The program was officially handed over to MAF in April 2016, though the MAF have recently (5 July 2016) requested ongoing support from Australia to assist with the institutionalisation and sustainability of the system. DFAT will consult with ACIAR on the issue of National Seed System sustainability prior to making any decisions on further support.

The Rural Development team, along with TOMAK and ACIAR, will need to monitor closely the progress and sustainability of the NSS. Australia will do this in its capacity as Development Partner Representative on the National Seed Council.

TOMAK's inception phase began in June 2016, establishing its national office within the MAF compound (in the former-SOL office) with the approval of the Minister for Agriculture and Fisheries. TOMAK is co-located with ACIAR. TOMAK completed a series of thorough consultations with SOL and ACIAR, including intensive knowledge and relationship transfer with senior SOL staff. All relevant SOL assets have been transferred to TOMAK.

The Australian Embassy held senior-level strategic discussions with the MoH in 2015 to advocate for sanitation financing. However, the Embassy's ability to influence the upstream and strengthen downstream financial processes in the MoH resulted in continuation of insufficient funding for sanitation and hygiene promotion.

DFAT and the Ministry of Education jointly designed a new Professional Learning and Mentoring Program to support the implementation of the Ministry developed curriculum. Australia also supported this MoE priority by helping to deliver a cost effective distribution system, reaching 94% of rural schools. DFAT has undertaken regular budget analysis to inform frank discussions with the MoE and the Secretariat of State for Professional Training and Employment Policy, and worked with the GoTL, through the Human Capital Development Fund, to help determine training allocations for 2016.

DFAT has tendered and awarded the Australia Timor-Leste Partnership for Human Development, consolidating investments in health, education, water, nutrition, gender equality, disability and social protection.

Nabilan, in partnership with the Ministry of Social Solidarity, launched the 'Health and Life Experiences' baseline survey in December 2015 to members of Government, civil society organisations and the international development community. The results have also been presented to other government stakeholders and to participants at the 2nd National Scientific Conference on Family Health in Dili and at the Timor-Leste Update at the Australian National University. Presentations have focused on how civil society organisations and the government can use the data to design prevention programming and to inform policy. 2.5 Human and economic development enhanced by communities building small-scale infrastructure that meets their development needs

DFAT will support the PNDS Secretariat to secure sufficient budget in 2016 to deliver PNDS.

In 2015, the PNDS Support assisted PNDS Secretariat to highlight the program's achievements (such as 38,000 villagers participating in PNDS in 2015 and 629 projects completed by end of calendar year 2015), helping the Secretariat to secure a sufficient budget for PNDS in 2016 (approximately USD12.2 million).

Given political changes in early 2015, opportunities to develop a formal partnership agreement or to renew the current subsidiary arrangement were not available. The current agreement remains active until June 2017

Objective 3: Strengthening governance and institutions

3.1 Poverty reduction in Timor-Leste through improved economic development and delivery of services

In 2015-16, DFAT will closely monitor the ambitious reform agenda and target support to areas where the Government of Timor-Leste is making progress. We will continue to apply monitoring systems and performance requirements for payments under the budget support mechanism to encourage more reform with the Ministry of Finance.

3.2 Police service effective and accountable in supporting rule of law

In 2015, TLPDP and PNTL will establish a Project Coordination Board to provide direction, guidance and decision making to support the delivery of projects undertaken by TLPDP. This will ensure ownership of projects by the PNTL, mutual responsibility for agreed outputs and outcomes according to the project work plan, and sustainability of activities beyond the end of TLPDP support.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

Australia continued to monitor GoTL's ambitious reform agenda, and targeted support to areas where progress was being made. This included ending support where we were not having an impact (for example direct budget support to the Ministry of Finance).

The Project Coordination Board was established in 2015 and links project outcomes to the PNTL Strategic Plan 2014-2018 and maintains focus on the main pillars of the program; governance, leadership and training, gender and specialist operational support.

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ANNEX B - PROGRESS TOWARDS PERFORMANCE BENCHMARKS IN 2015-16

Aid objective	2015-16 benchmark	Rating	Progress in 2015-16
Objective 1: Improving livelihoods			
1.1 300 km of additional rural roads are rehabilitated	25km		In 2015-16, 27.9km of road rehabilitation was completed and 376.1km of rural roads were maintained. Australia will continue to support the MPWTC through a second phase of R4D with a strong focus on capacity development and institutional reform at the national and municipal levels, improved road works planning and management, and fostering greater collaboration among Government agencies and with sector partners.
1.2 40% of farming households in the targeted area will experience a significant increase in income	10% of households	n/a	DFAT's new agricultural program (TOMAK) will focus on improving economic and market opportunities for rural households to generate income and this benchmarks relates to TOMAK's work in the future. TOMAK commenced in June 2016 and is currently undertaking an inception and research phase to build program foundations that will enable it to make future progress against this benchmark.
Objective 2: Enhancing human development			
2.1 5,700 additional women and girls affected by violence are accessing legal, medical and social support services	1,000 women and girls		1,120 additional women and girls affected by violence accessed legal, medical and social support services.
2.2 80% of village infrastructure built by the National Program for Village Development is rated 'good' against technical standards and assessments	70%		An independent technical audit in May 2016 found that 84% of infrastructure audited was rated as good in their overall construction quality. The audit criteria included assessment of projects against PNDS and national construction standards.
2.3 157,000 additional men and women with improved access to clean water or exposure to sanitation and hygiene behavioural change programs which Australia has funded or co-funded	23,000 men and women		DFAT reached a total of 21,775 people in 2015-16. This includes 9,400 additional people with access to improved water supply systems and 12,375 people with exposure to sanitation and hygiene behavioural change programs. The target was only partially achieved due to budget reductions.
Objective 3: Strengthening governance and institutions			
3.1 80% of the work units of the MoF are rated as a 'B' or higher	65%		The methodology for assessing MoF performance was streamlined and improved in 2015-16. MoF demonstrated improvements in the way that its internal areas worked by meeting new targets, such as financial statement compliance and risk-based planning in the internal audit team. However, not all targets were met.

3.2 Improvements in the rating of police in a small set (4) of specific questions in a yearly national Community Perception Survey

Improvement on 1 or more measures TLPDP co-financed the third Community Police Perceptions Study, undertaken by The Asia Foundation in 2015. TLPDP's financing enabled the Australian Federal Police to add five specific questions to the survey around trust, gender police presence and community involvement. As this was the first time TLPDP specific questions were asked, the program was unable to judge year-on-year improvements in the reporting period. However, overall the study showed improvements in community perceptions of safety. 51% of the public reported feeling somewhat or very concerned about their safety, a drop of 13% from 2013. The general public's perception that citizens and police were working together to address security problems in their community increased markedly to 84% in 2015 from 50% in 2015. Victims are also more likely today than they were in 2013 to seek PNTL assistance in the first instance with 99% of the general public reporting that they trusted the police.

Multi-sector performance benchmark

By 2018-19, the prevalence of stunting n/a among children 0-23 months in target sites reduces by 10% of 2015-16 prevalence In 2015-16 Australia, in partnership with the Government of Timor-Leste and non-government organisations (international and local), commenced an innovative nutrition program based on collective action across a range of implementing partners. Piloted in Manufahi, the program will build evidence on what are the barriers to good nutrition practices, and test a range of technologies to determine the key behaviour changes and messages required to improve household nutrition. This approach recognises the need for multi-sector and collaborative action to address malnutrition. The program is currently undertaking formative research and baselines until November 2016 when partners will begin delivering coordinated behaviour change messages.

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Note:

Achieved. Significant progress has been made and the performance benchmark was achieved

Partly achieved. Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.

n/a

Not achieved. Progress towards the performance benchmark has been significantly below expectations

ANNEX C - EVALUATION PLANNING

List of evaluations completed in the reporting period

Investment number and name (if applicable)	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
INK217 – BESIK	BESIK – Final Monitoring and Review Group	June 2016	July 2016	July 2016	September 2016
INL113 (INI998) – Market Development Facility (multi-country review)	Market Development Facility – Mid-Term Review	December 2015	August 2016	not yet	not yet
INK784 - National Program for Village Development	National Program for Village Development Support Program (PNDS-SP)- Monitoring and Review Group Visit 3 (focussing on gender and social inclusion)	May 2016	August 2016	September 2016	September 2016

List of program prioritised evaluations planned for the next 12 months

Evaluation title	Investment number and name (if applicable)	Date – planned commencement (month/year)	Date – planned completion (month/year)	Purpose of evaluation	Evaluation type
Teacher Quality Longitudinal Assessment (working with ODE)	INL910 - Timor-Leste Human Development Program	October 2016	June 2019	Assess results	DFAT led, in partnership with TL Ministry of Education
TLPDP 2014-18- Mid Term Review	Not applicable	November 2016	November 2016	To improve existing program and to verify program outcomes.	AFP led, in partnership with PDP
PNDS Support Program Mid Term Review	IN784 - National Program for Village Development	November 2016	November 2016	To provide recommendations for second phase	DFAT led (by independent evaluation specialists)
Governance for Development Mid Term Review	INL073 - Governance for Development Timor-Leste	October 2016	October 2016	To improve existing program, to verify program outcomes and inform next phase.	DFAT led (by independent evaluation specialists)

ANNEX D - AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings are included.

Investment	Approved budget,, duration	Year on Year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality	Risk management
INK211 - Roads for Development - R4D	4	2016 AQC	5	5	4	5	4	5	5
Ink211 - Koaus for Development - K4D	\$53m, 2011-19	2015 AQC	5	5	4	5	4	5	5
INK433 - Health Program		2016 AQC	6	5	5	5	5	5	5
	\$28m, 2012-18	2015 AQC	6	5	4	4	5	5	5
INKERE Timor Losto Education Drogram		2016 AQC	5	5	4	4	5	5	4
INK585 - Timor-Leste Education Program	\$22m, 2012-18	2015 AQC	5	3	4	3	4	4	4
INK784 - National Program for Village Development		2016 AQC	5	5	5	5	5	6	5
100784 - National Program for Village Development	\$44m, 2012-18	2015 AQC	5	5	5	5	5	6	5
INK815 - Ending Violence Against Women in Timor-	<u> </u>	2016 AQC	6	5	5	5	6	6	6
Leste	\$20m, 2012-18	2015 AQC	6	4	4	4	6	5	5
INL073 - Governance for Development Timor-Leste		2016 AQC	6	5	5	5	5	4	6
INCORS - Governance for Development fillion-Leste	\$58m, 2013-18	2015 AQC	6	5	5	4	4	4	6
INLOZ2 Direct Budget Support to Ministry of Einance		2016 AQC	6	2	2	4	5	3	3
INL073 - Direct Budget Support to Ministry of Finance	\$12m, 2014-18	2015 AQC	6	5	5	5	5	4	5
INL092 - Workforce Development Program		2016 AQC	5	5	5	5	5	4	5
	\$13m, 2014-19	2015 AQC	4	5	5	5	4	5	5

FAQC RATINGS

Final AQCs assess performance over the lifetime of the investment (ratings are not compared to previous years).

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
ING104 - Seeds of Life	\$33m, 2005-16	5	5	5	5	5	4	4	5
INJ035 - Family Planning and Reproductive Health Services	\$18m, 2009-15	5	5	5	5	5	5	5	5
INK217 - Rural Water Supply & Sanitation Program - BESIK II	\$29m,2011-16	4	5	4	5	5	4	5	5
INK858 - Procurement and Logistics Facility	\$41m, 2013-16	5	5	5	5	4	6	4	6

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas. 5 = Good; satisfies criteria in almost all areas.

4 = Adequate; on balance, satisfies criteria; does not fail in any major area.

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria and/or fails in at least one major area.

2 = Poor; does not satisfy criteria in major areas. 1 = Very poor; does not satisfy criteria in many major area.