

# **REVIEW OF TIMOR-LESTE GOVERNANCE FOR DEVELOPMENT PROGRAM**

## **MANAGEMENT RESPONSE – FEBRUARY 2020**

Australia's Governance for Development program (GfD, AUD72 million, 2013-21) supports good governance in Timor-Leste through improved policies, systems and laws underpinning economic development and service delivery.

The GfD independent review examined the program's effectiveness, relevance and efficiency, including value-for-money assessments of individual investments under the program. It identified a range of findings that have informed recommendations for the current program and design of any future Australian investments in governance and economic development in Timor-Leste.

Of the 14 recommendations, the Department of Foreign Affairs and Trade (DFAT) fully agrees with 11 of the recommendations and partially agrees with three of the recommendations. DFAT and GfD will action agreed recommendations as soon as possible, given GfD is scheduled to finish in June 2021.

Design of a follow-on program to GfD has started, with substantive design work to take place during 2020-21. Agreed relevant recommendations for Australia's future investments in governance and economic development will be incorporated into DFAT's design process. DFAT anticipates that the follow-on program will begin implementation on 1 July 2021.

## Individual management responses to the review recommendations

- recommendations 1 – 6 are addressed to GfD management (in DFAT and Cardno)
- recommendations 7 – 14 are addressed to DFAT

Recommendation	Response	Action plan	Timeframe
<p><b>Recommendation 1</b></p> <p><b>Prepare work area strategies, in particular on economic development and cross-cutting issues.</b></p> <ul style="list-style-type: none"> <li>• Draw on the excellent existing analysis and an assessment of what other development partners are doing to produce a short economic development strategy to guide programming and to link GfD to other DFAT economic programs.</li> <li>• Develop a strategy, consolidate activities and identify lessons to date on gender and disability to target priorities in the last phase of the program and inform a follow-on program and other DFAT investments.</li> <li>• Review the best way to support in-country high quality, well evidenced research about key policy issues of importance (through helping the Policy Leaders Group to become a think tank or other options).</li> </ul>	Agree	<p>GfD will prepare a short economic development strategy to guide programming during the remainder of GfD through June 2021. The strategy will take account of other development partners' activities, work with DFAT's other investments in Timor-Leste and link with DFAT's Private Sector Development Collaboration Strategy for Timor-Leste.</p> <p>GfD will prepare a gender and disability strategy to guide activities for the remainder of the program and inform the design of a follow-on program. The strategy will link with DFAT's Timor-Leste Gender Strategy and complement DFAT's other investments.</p> <p>GfD will review options for supporting Timor-Leste to undertake in country research on important policy issues. This work will be used to inform design of a follow-on program. DFAT does not envisage supporting a new think tank at this stage.</p>	<p>The economic development strategy will be completed in the first half of 2020.</p> <p>The gender and disability strategy will be completed in the first half of 2020.</p> <p>GfD's review of options for supporting in-country research will be completed by the end of third quarter 2020.</p>

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<p><b>Recommendation 2</b></p> <p><b>Support the transition of program-based budgeting (PBB) from the Prime Minister’s Office to the Ministry of Finance (MoF), and coordinate support with other development partners.</b></p> <ul style="list-style-type: none"> <li>• PBB is still in its infancy and MoF lacks the skills and capacity to reinforce and enhance PBB across government. A political economy analysis (PEA) should be undertaken to inform any future decisions around delivering MoF guidance materials and skills transfers to take on annual PBB responsibilities.</li> <li>• Liaise with the European Commission and World Bank on cost-sharing of MoF PFM reforms. The major cost of implementing MoF performance management reforms and special career regime may need support from a World Bank PFM and fiscal sustainability development policy loan. It is not recommended that DFAT fund any development policy loan.</li> </ul>	Agree	<p>Supporting Timor-Leste’s successful transition of PBB from the Prime Minister’s Office to MoF is a high priority for DFAT. DFAT will stay closely involved with all stakeholders during the transition, ensuring that GfD’s support is calibrated to support the transfer. DFAT and GfD will undertake a PEA and risk assessment to inform Australia’s support during and after the transition.</p> <p>DFAT and GfD will work closely with other development partners with an interest in PFM reforms in Timor-Leste, particularly the European Union and World Bank. It is important that DFAT and GfD work in concert with all stakeholders on options for enhanced coordination of efforts.</p> <p>DFAT does not intend to fund any development policy loans during the remainder of GfD.</p>	DFAT and GfD will complete a PEA and risk assessment on the transition of PBB to MoF in the first half of 2020.
<p><b>Recommendation 3</b></p> <p><b>Assess GfD’s impact on the Civil Service Commission (CSC) capacity as well as on the overall performance of the public service.</b></p> <ul style="list-style-type: none"> <li>• After 10 years of DFAT support to the CSC, and as the CSC Commissioners’ mandate comes to an end (in May 2020), GfD should consolidate</li> </ul>	Agree	<p>After providing ten years of support to CSC, it is timely to assess GfD’s impact in this sector. During the remainder of GfD, the program will not pursue any significant expansion of existing support to the civil service, including the CSC.</p> <p>Additionally, GfD will commission a review on the impact it has had on the CSC and</p>	GfD will commission a review on the impact on the CSC and wider civil service to be completed by the end of third quarter 2020.

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<p>CSC initiatives and avoid new public administration reform activities.</p> <ul style="list-style-type: none"> <li>GfD should assess its impacts on the CSC and wider civil service capacity in a way that builds the CSC's ability to do further assessments independently. This analysis will also inform a potential successor program.</li> <li>GfD should ensure all its advisers shift to a capacity development approach in the last 18 months of the program. While this is included in their responsibilities and reporting requirement, advisers may require additional encouragement and full support from their GoTL line managers. Additional modalities could be used to complement advisers.</li> </ul>		<p>wider civil service. This review will, as far as possible, build CSC's capacity to do further assessments independently. This review will be used to inform design of a follow-on program to GfD.</p> <p>All GfD advisers already take a capacity development approach in their work with Timor-Leste counterparts. This is an explicit prerequisite of a GfD adviser's work. GfD will continue to reinforce this through an adviser's terms of reference, recruitment, selection and induction processes, plus activity reporting and performance reviews. Concurrently, GfD will continue to encourage Timor-Leste Government counterparts to ensure capacity building remains a core focus of every GfD adviser's work. GfD will do this during regular management meetings with counterparts and when seeking feedback on an adviser's performance.</p> <p>GfD will consider opportunities to use additional modalities to complement advisers.</p>	
<p><b>Recommendation 4</b></p> <p><b>Strengthen GfD's ability to think and work politically.</b></p> <ul style="list-style-type: none"> <li><b>Use review and reflection workshops more strategically.</b> These should be more regular, targeted to shape decisions, with a limited number of stakeholders and 'critical friends'.</li> </ul>	Agree	<p>GfD will use Review and Reflection workshops more strategically and ensure that they are held regularly. GfD anticipates holding two more workshops before the end of GfD. These workshops will include a limited number of</p>	<p>A Review and Reflection Workshop will be held in the first half of 2020.</p> <p>DFAT to develop a forward schedule of PEAs by the end of first quarter 2020.</p>

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<p>The next workshop could be held when the review team leader returns to Timor-Leste (February 2020) to draw on the review findings. These should not be the main way of engaging with GoTL stakeholders, which requires a blend of formal and informal approaches.</p> <ul style="list-style-type: none"> <li>• <b>Commission political economy analyses as inputs for the review and reflection workshops or to inform other strategy development.</b> They would examine how the political circumstances are shifting and how this is likely to influence programming. They should cover GfD's different sectoral themes. They should be documented and updated regularly (e.g. as written reports, PowerPoint presentations, notes of meetings, cables) to inform program adaptation.</li> <li>• <b>Continue to improve monitoring, evaluation and learning.</b> GfD management should select the most relevant anticipated results in the different work areas by the end of the program in 2021; develop mini ToCs for each initiative within the work areas showing causal chains and hypotheses towards these results; and track progress and monitor hypotheses with quantitative and qualitative data to inform management decisions and ongoing program adaptation.</li> </ul>		<p>stakeholders and critical friends. The R&amp;R workshops will, if possible, draw on the expertise of the technical sounding board (see Recommendation 5).</p> <p>DFAT agrees that completing PEAs across the sectors that GfD works would be beneficial, both for implementation and to inform a follow-on program to GfD. The scope and timing of these PEAs will be determined through further consultation between DFAT and GfD.</p> <p>GfD has invested significant resources in strengthening its monitoring, evaluation and learning (MEL). External expertise from DFAT's MEL investment (M&amp;E House) has also been injected. DFAT considers that GfD's overall theory of change (TOC) is fit-for-purpose.</p> <p>GfD will develop mini-TOCs for each work area with assistance from M&amp;E House. Planning for anticipated end of program results will take place in consultation with the independent technical sounding board (see Recommendation 5).</p>	

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<p><b>Recommendation 5</b>  <b>Strengthen GfD’s technical management and external challenge.</b></p> <ul style="list-style-type: none"> <li>• <b>Appoint three Cardno-based ‘technical work area managers’.</b> They would be responsible for developing strategies for PFM, economic development, public administration, as well as integrating ‘Other Voices’ and cross-cutting issues more systematically; monitoring progress; and managing advisers and grants. These posts should be filled as soon as realistically feasible.</li> <li>• <b>Establish ‘independent technical sounding boards’.</b> These would be made up of independent individuals with strong expertise in the area, who would be able to advise GfD on whether proposed new initiatives are sound and help assess progress. They would advise on how best to engage with GoTL stakeholders.</li> </ul>	Partially agree	<p>DFAT agrees that GfD’s technical management requires strengthening, however this should be achieved in a cost-effective manner. Appointing three Cardno-based ‘technical work area managers’ would require significant financial resourcing beyond the scope of the program budget. DFAT assesses that appointing three such positions would not provide adequate return given GfD has less than 18 months remaining. GfD will appoint one ‘technical work area manager’ to strengthen strategy and cohesion in relation to economic development, the area with the greatest need for additional expertise and engagement. This position will report to the GfD Team Leader.</p> <p>Additionally, external challenge will be strengthened by establishing an independent technical sounding board. This will be comprised of three independent technical experts who will provide advice to DFAT and GfD on existing and proposed new activities.</p>	<p>The technical work area manager will be in-place in the first half of 2020.</p> <p>The independent technical sounding board will be established in the first half of 2020.</p>
<p><b>Recommendation 6</b>  <b>Improve collaboration between DFAT investments.</b></p> <ul style="list-style-type: none"> <li>• DFAT should ensure GfD and other DFAT programs that collaborate with central agencies and on economic development have a shared</li> </ul>	Agree	<p>DFAT will ensure that GfD and other DFAT development programs continue to collaborate. This includes having a shared understanding of what GfD is responsible for and how GfD can best complement DFAT’s other investments in Timor-Leste.</p>	<p>An updated study on the barriers to service delivery will be completed in the first half of 2020.</p>

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<p>understanding of their division of labour and how to rely on GfD, particularly with:</p> <ul style="list-style-type: none"> <li>– Partnership for Human Development (PHD) and PARTISIPA on PFM and civil service capacity in relation to central barriers to education, health, social protection; how to ensure accountable service delivery and feedback loops from citizens; and decentralisation division of labour.</li> <li>–To’os Ba Moris Diak – Farming for Prosperity Program (TOMAK), Roads for Development (R4D), Workforce Development Program in Timor-Leste (WDPTL) and Market Development Facility (MDF) on an economic development strategy and collaboration on agriculture.</li> </ul> <ul style="list-style-type: none"> <li>• Jointly commission an updated study on the barriers to service delivery.</li> </ul>		<p>GfD will work with DFAT’s other investments to prepare a short economic development strategy (see Recommendation 1).</p> <p>GfD will work with DFAT’s other investments to jointly commission an updated study on the barriers to service delivery.</p> <p>The design of a follow-on program to GfD and the design of DFAT’s new PARTISIPA program will take place at the same time and provide an opportunity to design complementary investments and ways of working together.</p>	
<p><b>Recommendation 7</b></p> <p><b>Start designing the next GfD phase or successor program now, linking the approach to a strategy.</b></p> <ul style="list-style-type: none"> <li>• Base the design on this review and PEAs for different sectors.</li> <li>• Consider designing a separate economic development program, so that GfD can remain more focused.</li> </ul>	Partially agree	<p>DFAT has started internal processes for designing a follow-on program to GfD. The design will draw on the independent review, and other analytical work by GfD, for example the economic development strategy (see Recommendation 1) and PEAs for different sectors (Recommendation 4).</p> <p>The design of a follow-on program to GfD will consider options for program governance, including engagement with the Government of Timor-Leste and aligning with Timor-Leste’s development priorities.</p>	Design of a follow-on program to GfD is ongoing. DFAT anticipates that the follow-on program will begin implementation on 1 July 2021.

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		<p>Economic development will continue to be a core component of Australia’s support to Timor-Leste. DFAT anticipates that economic development will form part of the follow-on program to GfD and will not be a separate program. DFAT’s economic development support in a follow-on program to GfD will require a coherent plan that guides DFAT’s investments and aligns with Timor-Leste’s priorities. This plan will be informed by the short economic development strategy that GfD will develop (see Recommendation 1).</p>	
<p><b>Recommendation 8</b>  <b>Ensure accountability, gender and inclusion are central to both the design process and program implementation.</b></p> <ul style="list-style-type: none"> <li>• Consider state accountability, responsiveness and transparency – not just state capacity.</li> <li>• Analyse the ways in which women, people living with disabilities, the young and rural populations are marginalised or excluded from economic activities and service delivery, and fashion interventions to specifically address this.</li> <li>• Assess DFAT wider support to civil society and the specific role of a successor GfD program by rigorously assessing (across DFAT programs) how DFAT can support ‘Other Voices’ and civil society organisations’ advocacy across the</li> </ul>	<p>Agree</p>	<p>The design process and implementation of a follow-on program to GfD will ensure accountability, gender and inclusion are central themes. DFAT will ensure that adequate expertise across these themes is injected into the design process, and that the follow-on program to GfD is adequately resourced during implementation to address these themes.</p> <p>At times, DFAT’s other investments, such as PHD, will be better placed to establish interventions to respond to frontline service delivery inclusion.</p> <p>DFAT is, separate to this review, finalising a civic space research paper and in 2019 completed a social accountability study, which will inform the Other Voices aspects</p>	<p>Design of a follow-on program to GfD is ongoing. DFAT anticipates that the follow-on program will begin implementation on 1 July 2021.</p>



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<p>sectors it supports. DFAT would then identify what would best be covered from a GfD successor program (e.g. the enabling environment for CSOs).</p> <ul style="list-style-type: none"> <li>Consider a PFM accountability feedback loop: GfD and the OPM Social Audit Unit could explore ways to develop an accountability feedback loop that informs OPM of progress with PBB implementation and its impact on services delivery.</li> </ul>		<p>of the design of a follow-on program to GfD.</p> <p>DFAT will engage with the OPM Social Audit Unit to explore options and the feasibility of developing an accountability feedback loop that informs OPM of progress with PBB implementation.</p>	
<p><b>Recommendation 9</b></p> <p><b>Consider a broader range of modalities to address specific ‘problems’.</b> A new program should include a richer blend of modalities beyond mostly relying on advisers and grants.</p> <ul style="list-style-type: none"> <li>Design specific GfD initiatives around a clear problem that GfD could help address (rather than a GoTL organisation it should support).</li> <li>Map the different strategies that could be adopted and select relevant modalities (e.g. packaged as a small project).</li> <li>Facilitate networking.</li> <li>Fund public campaigns as well as technical advice or training/mentoring/coaching.</li> <li>Engage with more stakeholders (including beyond GoTL) to achieve more sustainable change.</li> </ul>	Agree	<p>The design for a follow-on program to GfD will consider how to encompass a broader range of modalities to address specific problems. Where it makes sense, GfD, and the follow-on program, will look to engage with more stakeholders to achieve more sustainable change.</p>	<p>Design of a follow-on program to GfD is ongoing. DFAT anticipates that the follow-on program will begin implementation on 1 July 2021.</p>

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<p><b>Recommendation 10</b>  <b>Target barriers to service delivery.</b> The design for a follow-on program should clearly identify what are the barriers to service delivery at the local level that would benefit from PFM and public administration reforms. This should be done jointly with other relevant DFAT programs. Responses are likely to require strategies to improve accountability, transparency and responsiveness.</p> <ul style="list-style-type: none"> <li>• Commission a repeat of the 2010 Kathy Whimp barriers to service delivery study.</li> <li>• On that basis, address the central barriers to service delivery through a GfD successor.</li> <li>• Ensure ongoing feedback from the sub-national level to the national level (including through other Australian-funded programs such as PARTISIPA).</li> <li>• Scope the next stage of DFAT PFM support at the sub-national level to complement central PFM initiatives.</li> </ul>	Agree	<p>The design for a follow-on program to GfD will identify the barriers to service delivery at the local level that would benefit from PFM and public administration reforms. This work will go hand-in-hand with consideration of how local level barriers can also be addressed through reforms at the national level. GfD’s support will continue to be provided to central agencies at the national level, while complementing DFAT’s investments that support agencies working at the local level (e.g. PARTISIPA).</p> <p>GfD will work with DFAT’s other investments to jointly commission an updated study on the barriers to service delivery (see Recommendation 6).</p>	<p>Design of a follow-on program to GfD is ongoing. DFAT anticipates that the follow-on program will begin implementation on 1 July 2021.</p> <p>An updated study on the barriers to service delivery will be completed in the first half of 2020.</p>
<p><b>Recommendation 11</b>  <b>Assess political commitment to public administration reforms, and in the absence of such commitment devise a new approach.</b> In principle, it is important for GfD to remain engaged, as any public service is only as good as its people. The issue is whether DFAT judges there is sufficient political commitment to a meritocratic and accountable public service. In the absence of such commitment, GfD should reduce the</p>	Agree	<p>DFAT supports taking a long-term approach to civil service reform in Timor-Leste. This includes analysing the political commitment to a meritocratic and accountable public service. DFAT will continue to adjust the scope, objectives, modalities and scale of assistance where needed, including to protect and support achievements to date.</p>	<p>GfD will commission a review on the impact on the CSC and wider civil service to be completed by the end of third quarter 2020.</p>

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<p>scope, objectives, modalities and scale of assistance. It should reduce its reliance on long-term advisers, and instead support a much smaller-scale organisational improvement plan for selected departments. Support would address specific issues, track success/challenges and more quickly adjust (rather than follow a linear policy cycle).</p>		<p>Taking into account that GfD will not pursue any significant expansion of existing support to the civil service (Recommendation 3), DFAT will consider a broader range of modalities when making decisions on proposed new activities.</p> <p>DFAT will be reviewing the impact it has had on the CSC and wider civil service (see Recommendation 3).</p>	
<p><b>Recommendation 12</b></p> <p><b>Give serious thought to how DFAT might support efforts to address critical, but sensitive, policy challenges, e.g. in the oil and gas sector and on land rights. It is important to be able to engage on oil and gas beyond diplomatic and commercial conversations.</b> Similarly, property rights, particularly around land, appear to be one of the most important constraints to investment – making progress in this sensitive area could be transformative. In both areas, there are ways in which DFAT might provide indirect support, either through international partners, or by supporting Timorese-led dissemination and debate on evidence using an arm’s length approach.</p>	<p>Partially agree</p>	<p>DFAT agrees that developments in Timor-Leste’s oil and gas sector are critical to the country’s development. So too is land rights.</p> <p>While DFAT will continue to give serious thought to investing in these sectors, decisions will be based on Timor-Leste’s appetite for assistance and Australia’s capacity to provide any required support. DFAT notes that GfD is not the only option available for engaging in these sectors.</p>	<p>DFAT will continue to assess the capacity to invest in critical but sensitive sectors.</p>

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<p><b>Recommendation 13</b></p> <p><b>Focus more on youth employment.</b> The provision of jobs will be the central economic challenge facing Timor-Leste’s growing young population. A successor could play a role in supporting government strategies to link work on education and training to sectoral interventions designed to stimulate private sector-led growth.</p>	Agree	<p>DFAT agrees that the ‘youth bulge’ is an important and growing economic challenge in Timor-Leste that should be a focus of a follow-on program to GfD.</p> <p>DFAT will commission a study to review existing studies and literature on ‘youth bulge’ to inform the design of a follow-on program to GfD.</p>	The study on ‘youth bulge’ will be completed by the end of the third quarter 2020.
<p><b>Recommendation 14</b></p> <p><b>Do not include security, justice and elections within the scope of a successor program.</b> These issues could not be managed strategically within GfD. Following sector assessments (starting with strategic Australian objectives and what other development partners are doing), DFAT may decide to address these issues through another program or not at all.</p>	Agree	<p>DFAT agrees that security, justice and elections normally fall outside of the scope of a governance and economic development program. Notwithstanding that GfD has achieved some significant successes in these sectors to date, to ensure strategic coherence, DFAT will exclude these sectors from the design of a follow-on program to GfD.</p>	<p>Security and justice will continue to receive support through GfD, but will not form part of the design of a follow-on program to GfD.</p> <p>DFAT anticipates that the follow-on program will begin implementation on 1 July 2021.</p>