



Australian aid to Timor-Leste

JUNE 2014

During its first decade of nationhood, Timor-Leste faced exceptionally difficult development challenges, with extreme poverty, the destruction of infrastructure and flight of human capital that accompanied the Indonesian exit, and recurrence of conflict.

In spite of these setbacks, there has been progress. Timor-Leste has established a democracy, saved over US\$15.7 billion of petroleum revenue in a sovereign wealth fund, and avoided a protracted civil conflict. The Timor-Leste Government's capacity to manage security and deliver services has grown.

Australia has been the largest bilateral development partner for Timor-Leste over the last decade and Timor-Leste is currently the seventh-largest recipient of Australian aid.

The Australian Government Department of Foreign Affairs and Trade (DFAT) leads aid policy development, coordination and implementation. Reflecting Australia's strong national interest in a prosperous Timor-Leste, there is significant whole-of-government engagement in the aid program. The Timor-Leste Police Development Program, administered by the Australian Federal Police (AFP), is Australia's largest single aid project. The Australian Centre for International Agricultural Research (ACIAR) and DFAT jointly manage the long-running Seeds of Life project.

The evaluation by the Office of Development Effectiveness examined aid to Timor-Leste from 2006 to 2013. It concluded that the country program has made steady but uneven progress in implementing several of the country strategy's key commitments, and that DFAT needs to build coherent, long-term and appropriately-resourced programs that address a limited set of clear and compelling development objectives. The evaluation also found that:

- developing strategies, designing interventions, overseeing implementing partners and policy dialogue are especially resource-intensive in low-capacity, conflict-affected settings where Australia has a significant national interest and plays a large role
- shorter-term, more flexible planning approaches that prioritise and sequence efforts should be adopted for countries affected by or transitioning from conflict
- funding multiple projects managed by multilaterals and other partners can exacerbate fragmentation and complexity, rather than increasing harmonisation
- assistance that was sustained over long timeframes and was able to evolve in ways sympathetic to, and supportive of, partner government policies, achieved the best results.

The evaluation made five recommendations to improve Australian assistance to Timor-Leste. These recommendations are also relevant for other country programs.

KEY FACTS

- » Australia has provided more than \$1.5 billion in overseas development assistance to Timor-Leste since 1999.
- » Peacekeeping and stabilisation assistance (which is not included in the aid budget or covered by the evaluation) has exceeded \$5.9 billion.
- » Timor-Leste ranks 134 out of 187 countries in the United Nations Human Development Index. Though the World Bank now considers Timor-Leste lower-middle income, the United Nations classifies it as a least developed country.
- » Since 2007, there has been exponential growth in Timor-Leste Government revenues, and the importance of aid flows has decreased.
- » Timor-Leste has been an increasingly active participant in international aid forums. The Minister of Finance chairs g7+—the international grouping of fragile states driving the New Deal for Engagement in Fragile States.



Isabella Dacavarhlo and her daughter Elvita Bendita Da Seus Soares in Salary village, Laga SubDistrict. Isabella, who is part of a Seeds of Life support group, maintains her family's peanut and sweet potato crop while her husband is away in Dili. Photo: Conor Ashleigh, Australian Centre for International Agricultural Research

Country strategy development

Over the first 10 years of assistance to Timor-Leste, the country program operated without a clear public statement about its scope and focus. This made it difficult to maintain focus in the face of competing demands. Activities proliferated, and resources were spread too thinly.

Short-term and flexible strategies could have provided a framework for prioritising aid in early program stages. The evaluation highlights how conventional development planning approaches must be adapted in the case of countries in, or in transition from, conflict.

In 2009, Australia finalised its first country strategy for assistance to Timor-Leste. It was broadly sound, although it lacked detail. This provided a starting point for a maturing partnership with Timor-Leste, marked by the establishment of a ministerial-level planning agreement on aid in 2011.

Greater certainty over long-term financing intentions would help to bridge the gap between the high-level commitments in country-level policies, and the resources and actions required to meet them. Targets would support more focused and disciplined assistance in future strategies and agreements.

More substantive consideration should have been given to developing a long-term plan for addressing gender inequality, one of Timor-Leste's most intractable problems.

Country strategy implementation

Focusing the country program was initially difficult because of the large number of long-term funding commitments made before the country strategy was finalised, and the large number of humanitarian activities in response to the 2006 crisis.

Australian support for multiple projects managed by multilaterals, often in the same sector, may have exacerbated the fragmentation and complexity that they were (in part) designed to address, however this was offset somewhat by its contribution to maintaining a diverse international community with expertise in the issues that Timor-Leste was facing (see the World Bank case study).

As pre-existing commitments were completed, the program was able to start shaping a more coherent and manageable portfolio, including by reducing the number of initiatives. Further rationalisation and stronger alignment of investments will be necessary to ensure that Australia is best able to assist the Timor-Leste Government.

Whole-of-government collaboration with the AFP and ACIAR has improved, but DFAT should increase its substantive engagement with whole of government partners: the AFP, to take advantage of their expertise in gender-based violence; and ACIAR, to harness their knowledge of agricultural development.



Policia Nacional de Timor-Leste Sergeant Maria Laura Abrantes being congratulated on completion of English language training by Superintendent Rod Kruger, Coordinator Training and Evaluation, Timor-Leste Police Development Program. Photo: Timor-Leste Police Development Program

Case study—Seeds of Life

The Seeds of Life project (SoL) aims to improve farmers' access to high-yielding crop varieties adapted to local environments and to reduce seed import costs for the government. SoL began in 2000 as an Australian Centre for International Agricultural Research (ACIAR)-funded research project. SoL is co-managed by the country program and ACIAR, with country program staff providing in-country oversight.

SoL has a simple, logical focus that is linked to a tangible developmental

outcome (better seeds = higher yields = more food security). The project initially focused on conducting scientific trials and rehabilitating research stations, and then expanded its focus to include on-farm trials throughout the country, and strengthening the scientific and organisational capacity of the Ministry of Agriculture and Fisheries.

SoL has released 10 improved crop varieties to more than 43 000 farming households. The improved crop varieties it has developed demonstrate

yield advantages of between 20 and 89 per cent over local varieties. As of 2013, 700 informal seed groups (each containing between 10 and 20 people), have been established and are producing an average of 159 kilograms of high-quality maize seed each season. The 46 tonnes produced by these groups in 2012 is approximately 10 per cent of the country's maize seed requirement.

Resourcing country strategy development and implementation

Developing strategies, designing interventions, overseeing implementing partners and influencing partner government policies are resource-intensive activities. This is especially so in low-capacity, conflict-affected settings such as Timor-Leste.

The aid program did not manage its planning and resource allocation well. The country program's administrative resources were not adequate in the lead-up to the country strategy and the early years of its implementation; staffing needs were significantly underestimated, and there was no significant increase in human resources (beyond a short-term response to the 2006 crisis) during a period of rapid growth between 2006 and 2009.

Increased senior management attention from 2009, and a first-ever program 'health check' carried out by senior managers in 2010, identified areas in need and led to improved in-country leadership, collaboration between Post and Canberra, and better resourcing.

Results of assistance

Neither the country strategy nor the planning agreement clearly explained the scope of Australian assistance to Timor-Leste, or how priorities would be translated into programming decisions. Unsurprisingly, given the context, the results of this assistance have been uneven.

The best results from Australia's development assistance were achieved in cases where assistance has been sustained over long time-frames, allowing it to evolve in ways that are sympathetic to, and supportive of, Timor-Leste Government policies. Good results were seen, for example, in the BESIK and Seeds of Life programs (see case studies).

Long-running assistance from the AFP has also helped to maintain law and order, and to substantively restore the functionality and improve the professionalism of the Timor-Leste police force after it collapsed in the 2006 crisis.

Results have been poorer in cases where Australia has been unable to stay the course, where objectives have been vague or unrealistic, or where resources have been spread too thinly across too many projects. Health and education have not benefited from long-term,

consolidated support, and results in these areas have been modest. Work to strengthen public administration (with the exception of support for public financial management) and justice services suffered from unclear and overly ambitious objectives.

Case study—BESIK

Australia is the largest donor in water, sanitation and hygiene (WASH), and has been active in the sector since 2002. Australian support for WASH in Timor-Leste is primarily delivered through the Australia East Timor Rural Water Supply and Sanitation Program, known locally as 'Bee, Saneamentu no Ijene iha Komunitade', or BESIK. Now in its second phase, BESIK works with communities to stimulate demand for water and sanitation services, and with civil society and government to improve how they provide these services.

When BESIK was established, public sector capacity was extremely low and much of the administrative architecture was not yet defined. The program has evolved over time, progressively integrating with, and being subsumed by, the Timor-Leste Government.

A 2012 independent review found that sanitation policies developed by BESIK and adopted by the Timor-Leste Government played an important role in working with Ministry of Infrastructure and Ministry of Health directorates and non-government organisations to better plan and coordinate their work.

Systems funded by BESIK and the Timor-Leste Government have significantly increased the number of rural people with access to improved water by an estimated 222 909. Timor-Leste is now on track to achieve its Millennium Development Goal target for rural water supply by 2015. The recruitment of women in government roles has also increased: 53 per cent of sanitation program officers; 25 per cent of WASH facilitators; and 31 per cent of water and sanitation committee members are now women.



Chief of Village of Laulara cuts the ribbon for the launch of the Roads for Development (R4D) program. Photo: International Labour Organization

Case study Australian support for World Bank operations in Timor-Leste

Support to multilateral organisations has been a major component of Australia's assistance to Timor-Leste, and has supported the continued involvement of these organisations in the country.

From 2011, Australia participated in all of the World Bank and Asian Development Bank's major multidonor initiatives. This included the joint World Bank-Asian Development Bank Trust Fund for East Timor, and the World

Bank's Transitional Support Program and Consolidation Support Program, which was the main instrument used by donors to provide budgetary support and engage with the Timor-Leste Government on policy between 2003–06.

From around 2002, as transitional arrangements including the joint Asian Development Bank and World Bank Trust Fund for East Timor were scaled back, the World Bank's inability to directly finance projects became

pronounced. Largely as a result of the Timor-Leste Government policy against taking on foreign debt, the World Bank's reliance on co-financing from bilateral donors increased from 7 per cent of its project costs in 2000–02 to 60 per cent by 2008–10.

In this context, Australia's contribution of over \$55 million between 2005–06 and 2012–13 has been pivotal to ensuring the World Bank was able to maintain a presence in Timor-Leste.

Recommendation 1: To strengthen the predictability of aid, and effectiveness of aid planning, DFAT's revised country planning architecture should include provision for: i) shorter-term and more flexible country assistance policies for countries affected by, or in transition from, conflict; ii) agreement on long-term financing commitments and their inclusion in country assistance policies; iii) clear targets for consolidating country programs by reducing the number of sectors to which aid is provided, and/or initiatives under management.

Recommendation 2: DFAT should establish a more structured process for collaborating with major whole-of-government partners where their work intersects with its development efforts, including by: i) identifying and supporting AFP participation in the conception, design and (where appropriate) implementation of initiatives that intersect with its security sector work; ii) identifying and supporting ACIAR participation in the conception, design and (where appropriate) implementation of agricultural development efforts.

Recommendation 3: To ensure a match between resource needs and delivery expectations, DFAT should strengthen resource planning by: i) codifying the different resource requirements for different types of country or regional programs in operation, and including this in annual business unit planning; ii) articulating principles for adequate health check coverage of country programs over time, and according

priority to programs that are scaling up, and/or operating in particularly difficult or conflict-affected settings.

Recommendation 4: To support a coherent long-term approach to addressing unemployment, DFAT should conduct a thorough analysis of the opportunities and challenges for private sector development in Timor-Leste, and the adequacy of its existing strategies in this context.

Recommendation 5: To strengthen the focus on gender inequality and the effectiveness of work to address such inequality, including gender-based violence, DFAT should: i) include a clear statement about how the program will address gender equality in the next Timor-Leste country strategy and indicators that enable progress in this area to be tracked; ii) develop a long-term plan for how it will address gender inequality across the program, including, but not limited to how it will address the issue of gender-based violence.

MANAGEMENT RESPONSE

DFAT is satisfied that the evaluation's findings are supported by a strong body of evidence, and management has agreed to implement all five of ODE's recommendations. The full management response is contained in the evaluation report.

OFFICE OF DEVELOPMENT EFFECTIVENESS

DFAT's Office of Development Effectiveness (ODE) monitors the performance of the Australian aid program, evaluates its impact and contributes to international evidence and debate about aid and development effectiveness.

The full report, including a management response from DFAT, can be accessed at www.ode.dfat.gov.au



Port construction in Dili, 2008. Photo: Lorrie Graham, DFAT