

# GfD Progress Report

November 2018 to April 2019

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## Abbreviations and Acronyms

ABS	Australian Bureau Statistics
AACTL	Autoridade da Aviação Civil de Timor-Leste
ADB	Asia Development Bank
ANATL	Administração de Aeroportos e Navegação Aérea de Timor-Lesté
BNCTL	Banco Nacional de Comércio de Timor-Leste
CSC	Civil Service Commission
CSO	Civil Society Organisation
DBFTL	Dalan Ba Futuru Timor-Leste
EOPO	End of Program Outcome
FM	Fundasaun Mahein
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GfD	Governance for Development
GoTL	Government of Timor-Leste
ICAO	International Civil Aviation Organisation
ICT	Information and Communication Technology
IFC	International Finance Corporation
JSMP	Judicial System Monitoring Program
KEQ	Key Evaluation Question
KIF	Kaebauk Investimentu No Finansa
MCAE	Ministry / Minister for Coordination of Economic Affairs
M&E	Monitoring and Evaluation
MoF	Ministry / Minister of Finance
MRLAP	Ministry / Minister of Legislative Reform and Parliamentary Affairs
MSA	Ministry / Minister of State Administration
MTC	Ministry / Minister of Transport and Communications
MTEF	Medium-Term Expenditure Framework
NGO	Non Government Organisation
OECD	Organisation for Economic Cooperation and Development
OH&S	Occupational Health and Safety
OPM	Office of the Prime Minister
PEA	Political Economy Analysis
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PMIS	Personnel Management Information System
SDG	Sustainable Development Goal
SEII	Secretary of State for Gender and Inclusion
SERVE	Servico de Registro e Verificacaun
SQ	Sub-Question
STA	Short Term Adviser
TAF	The Asia Foundation
UNDP	United Nations Development Program
UPMA	Planning, Monitoring and Evaluation Unit
VNR	Voluntary National Review

## Executive Summary

Governance for Development (GfD) is an eight-year, A\$72 million governance program which commenced in 2014, with Phase 2 of the program due to end in June 2021. The program will undergo an external strategic review in the latter half of 2019. The program is working towards two end-of-program outcomes (EOPOs): Government of Timor-Leste (GoTL) makes evidence-based decisions and policy, and GoTL improves implementation of policy and delivery of services, through a focus on three areas of reform: public financial management (PFM), public administration and economic development. EOPO1 was amended slightly in this reporting period to make it more relevant, from 'Government makes better decisions and develops evidence-based policies' to 'Government makes evidence-based decisions and policies'. The GfD theory of change and Monitoring, Evaluation and Learning Framework were also reviewed and refined during the period, building on the substantial work undertaken in 2017/18, the main change being the adoption of a unified GfD theory of change which allows for holistic assessment of program performance against the two EOPOs and clearer messaging about the role of GfD in Timor-Leste. Theory of change diagrams for PFM, public administration and economic development were also updated. These include tailored foundational activities, influence activities and immediate outcomes for each work area, while the intermediate outcomes and EOPOs remain consistent across all areas.

The program uses a range of modalities to deliver against the EOPOs, the two predominant ones being placement of advisers in central government entities (37 advisers engaged as at April 2019), supplemented by targeted short-term advisory (STA) inputs (six STA inputs during the reporting period), and the funding of grants to deliver specific pieces of work or to contribute to specific aspects of GfD's theory of change (nine grant partners as at April 2019). GfD's activities are locally led, responsive to GoTL priorities, flexible and adaptive to changing contexts. GfD also creates ways for civil society organisations to engage with GoTL in GfD's three work areas, including through targeted financial support to non-government partners.

GfD is managed through a 'one team' approach across Cardno and the Embassy. The model has evolved over time, with Cardno taking an increasing role in relation to program strategy, implementation and quality assurance. The majority of grants, with the exception of Asian Development Bank and International Finance Corporation (IFC), are now managed directly by Cardno, with Cardno engaging closely with grant partners in relation to planning, and program and financial reporting. The new model is operating well and continues to lead to efficiency gains. The model has been supported by recent changes within the team's management structure, with the appointment in January of a team leader to replace the former director of operations. A second international position, program coordinator, was created and filled in late January, with a focus on M&E and strategic planning.

The period November 2018 to April 2019 continued to be a time of political and budgetary uncertainty in Timor-Leste, which impacted significantly on the work of GfD. The political divide between the coalition government and president, along with internal tensions between parties within the coalition and the ongoing influence of the former prime minister, continued to influence government decision-making. Approval of the 2019 budget by the president was delayed until February, and as at the end of April nine ministerial positions remain unfilled, including a number of key portfolios. GfD has navigated this by working with other ministries of central influence, including the Ministry of Legislative Reform and Parliamentary Affairs (MRLAP) and continuing its support to the Planning, Monitoring and Evaluation Unit within the Office of the Prime Minister. However, the program's ability to provide substantive support in relation to economic diversification, to engage with the Ministry of Finance in relation to PFM reforms, and to engage in the process of decentralisation, have been hampered by the lack of clear GoTL counterparts.

Overall GfD is considered to be on track in its progress towards **EOPO (1)**, with evidence of GfD supporting evidence-based decisions and policies in PFM and public administration. Protracted political instability slowed momentum and narrowed opportunities for new reforms in economic development, although some progress was made: the November 2018 Private Sector Development Review of Australian Government programs found that GfD has previously contributed significantly to improved business enabling laws and policies such as the private investment law, financial sector regulations and creation of SERVE as a 'one stop shop' for business licencing. Efforts to progress this work will step up during the next reporting period.

Progress toward **EOPO (2)** experienced some delays over the period, with political uncertainty contributing to slower than anticipated implementation. Nonetheless there was progress on implementation of some significant GfD-supported reforms, notably GoTL's Budgetary Governance Roadmap, policies on integrated workforce management and merit-based promotion processes in the civil service, as well as gender-responsive planning and budgeting reforms which enabled gender to be included in the analysis of first quarter government expenditure. The Private Sector Development Review noted that in relation to strengthening the business enabling environment, implementation has not yet gone far enough to result in many tangible benefits to businesses, although foundational work undertaken during the period, through IFC grant-funded support to SERVE and TradeInvest, is expected to gather momentum throughout the next reporting period, supported by the placement of a GfD adviser within SERVE.

With respect to GfD's work streams:

GfD's **PFM work stream is on track**. There continues to be high-level GoTL support for the GoTL Budgetary Governance Roadmap which was developed with the support of the Organisation for Economic Cooperation and Development (OECD) and funded by GfD. Implementation of program budgeting reforms is continuing with intensive GfD support, including implementation of Gender Responsive Budgeting and the development and implementation of the Dalan Ba Futuru management information system. The recent OECD review of progress against the Roadmap found that progress to date meets expectations. The key focus for the coming twelve months needs to be on developing and implementing a Medium-Term Expenditure Framework (MTEF).

GfD's **public administration work stream is on track**. The Workforce Planning Decree Law, developed with significant support from GfD, has been drafted and is expected to be presented to Council of Ministers in coming weeks. Other policies, including merit-based selection, supplementary remuneration for remote workers, and performance evaluation, have been drafted and are going through final phases of consultation. A process for merit-based promotion will be implemented in the next few weeks. The reporting period has seen strengthened engagement by the Civil Service Commission with line ministries in development of key policy reforms, which paves the way for their effective implementation. Agreement has been reached on the interface between the Personnel Management Information System and Financial Management Information System, with the technical interface expected to be completed in coming weeks.

There were **delays and less progress than expected on economic development reforms**, due in large part to the ongoing lack of a Minister for Economic Coordination, and resultant lack of engagement with GoTL in relation to economic reforms. However, some sound progress was made on laws and policies to strengthen regulation of safety and security in the aviation sector. While GfD has contributed through its engagement with MRLAP to improved business enabling laws and policies such as the private investment law, financial sector regulations and creation of SERVE as a 'one stop shop' for business licencing, implementation of these laws and policies remains slow, and Timor-Leste's global rating in relation to 'ease of doing business' remains extremely low.

GfD's **support for alternative voices in public policy continued to strengthen demand for improved delivery of services** and is increasingly focused on encouraging civic engagement with a broader cross-section of the community. Agreement was reached with Oxfam during the period on a new project to increase the influence of other voices in relation to agriculture and economic diversification. GfD's existing grant partners supported availability of evidence for decision-makers in Timor-Leste that would not otherwise be available, including reports produced by Monash University, The Asia Foundation's Tatoli survey results, and a report by the Judicial Support Monitoring Program setting out recommendations for civil law litigation reform, highlighting the importance of enforceability of contracts and clarification of property rights for improving private sector confidence.

GfD has continued to engage effectively with a range of partners, often taking a leadership role in coordination. Critical partners include GoTL, grant partners, other Australian Government-funded programs / implementing partners, other development partners, and civil society organisations. GoTL counterparts have made it clear that coordination among donors and development partners is essential, in particular in relation to PFM reforms, where there is a risk of diverging views compromising GoTL's ability to make



coordinated, targeted progress. Other areas in which GfD pays particular attention to coordination across development partners include decentralisation, aviation, and economic development more broadly.

Close engagement and trusted relationships with GoTL counterparts are at the core of GfD's success. The program positions itself as an effective partner by developing strong relationships with government counterparts and focusing on locally-led issues that are identified by GoTL stakeholders. Strong partnerships lead to a deep understanding of context, which in turn lends itself to informed and targeted support. GfD's engagement with GoTL partners happens at both formal and informal levels. Formal reflection and planning sessions provide a forum for GoTL counterparts to outline their priorities, and the areas in which they would benefit from GfD support. A high-level annual workplan outlining GfD's proposed activities over the next financial year will be provided to the Office of the Prime Minister (OPM) and Ministry of Finance (MoF), and a series of Joint Work Strategies will be developed in conjunction with relevant GoTL counterpart agencies to articulate the key objectives of GfD's support to the agency, anticipated activities, outputs and outcomes, and the resources to be provided by both GfD and GoTL in support of these activities. In addition to these formal engagement mechanisms, informal engagement between GfD and counterparts enables discussion of emerging priorities and troubleshooting of issues.

Regular communication between Embassy work area coordinators, GfD national staff, and government stakeholders is invaluable in maintaining positive relationships, and a network of current and potential future counterparts. Regular meetings between the Embassy, Cardno, and key GoTL counterparts provide opportunities to discuss changing priorities and needs and to identify where a change in approach may be appropriate, a new area of support required, or additional support needed, such as the emerging focus on ICT governance and strategy.

GfD reflected on a number of lessons across the reporting period, including the following. Responses to the lessons are incorporated into the table of recommendations that follows.

**The challenges of implementation:** GfD has made significantly more progress with respect to policy development (EPO1) than policy implementation (EPO2). To some extent this is an issue of sequential timing – policies need to be developed before they can be implemented, but the program has also identified several factors influencing the likelihood of success of implementation.

**The importance of coordination:** Coordination across partners not only reduces the risk of conflicting approaches, mixed messaging and potential overload of the absorptive capacity of GoTL, but also opens opportunities for synergies between programs that enhance program outcomes.

**The impact of a challenging political environment:** With two elections in twelve months, and a coalition government in opposition to the party of the president, politics in Timor-Leste are fluid, and significantly influence decision making. Both senior appointments and decisions are frequently made on the basis of political imperatives rather than objective evidence. This complex political environment has underscored the importance of applying the principles of 'thinking and working politically'.



*GfD team and RHTO representatives. Photo: Lito Amaral*

## Recommendations

### Public financial management

- Continue to engage with counterparts within MoF to progress potential opportunities for placement of GfD advisers within the ministry, including in relation to the development and implementation of the MTEF, which will constitute a significant foundational step in the transition from annual budgeting to medium-term budgeting and rolling forward estimates.
- Continue to focus on 'one Roadmap' which brings together and aligns OECD and public expenditure and financial accountability recommendations and engage with other development partners on the importance of doing so.
- Continue to work with line ministries to improve understanding of the annual planning template and support successful implementation of Gender Responsive Budgeting reforms.
- Closely monitor the roll out of Program Budgeting to the municipalities, and provide advice to GoTL on the benefits of an incremental, staged approach with time to analyse and incorporate "lessons learned" at each stage.
- Take a lead role in the coordination of other Australian Government-funded programs in relation to the implementation of Gender Responsive Budgeting in line ministries and at the municipal level.
- Draw on learnings from Gender Responsive Budgeting with a view to considering how they might be applied to broader issues of socially-inclusive budgeting and climate-resilient budgeting.
- Coordinate with Oxfam's Open the Books program to identify opportunities for strengthening financial and budgetary literacy of civil society and building coalitions for change in relation to PFM issues.

### Public administration

- Continue to support CSC's increasingly consultative approach to public sector reforms and policy development.
- Continue to hold periodic discussions involving all GfD public administration advisers, including those based in the CSC, MRLAP and Planning, Monitoring and Evaluation Unit (UPMA), and through this, support increased alignment between the three entities.
- Work with GoTL's central IT agency in the relation to the placement of advisers in the central ICT agency, who can support GoTL to implement sound ICT governance, strategy and decision-making.
- Consolidate adviser tasks to ensure they are mentoring and coaching, not just 'doing'.

### Economic policy

- Consider a more targeted focus on improving the business regulatory environment, with less emphasis on providing resources/support to update broad economic diversification policies that are not currently receiving strong political support.
- Leverage the Oxfam grant partnership to strengthen and build coalitions for change on specific economic policy issues.
- Disseminate Monash University papers on economic diversification and other key economic issues, and work with Monash to develop an appropriate program of research for the coming financial year.
- Continue to support discussion through the Policy Leaders Group on the importance of economic diversification.
- Facilitate discussions between GfD's adviser in SERVE, IFC and MRLAP in relation to streamlining of business licensing. Continue to lead a discussion and coordination group with other donors on business licencing reform.
- Closely monitor performance of the IFC grant.
- Take a lead role in coordination of a private sector working group across Australian Government-funded programs.
- Consider how to support evidence-based decision-making around infrastructure development.
- Facilitate linkages between AACTL and Australian entities that could support AACTL in its regulatory role.



- Focus advisory support in the aviation sector on internal capacity building as well as development of the regulations and policy required to pass the ICAO audit.

### **Working in partnership**

- Continue to strengthen relationships with key development partners in each of GfD's reform areas, and meet with them regularly, both formally and informally.
- Support GoTL to maintain strong donor coordination mechanisms in specific areas, and in particular the MoF-led annual development partner meetings.
- Support dialogue and coordination across partners at a range of levels, including within GfD, across Australian Government-funded programs (in particular PHD, Partisipa and MDF), and with other development partners, and continue to coordinate specific working groups for programs under the Australian aid program.
- Maintain strong relationships with grant partners through regular dialogue, providing them with a clear reporting structure, and identifying opportunities for / facilitating synergies across other areas of the GfD program.
- Support CSOs to strengthen their engagement with policy development processes and look for opportunities to actively facilitate and build coalitions for change on specific reform issues.

### **Relevance, efficiency and sustainability**

- Test the Joint Work Strategies that are currently under development against key priorities – the Strategic Development Plan and GfD's EOPOs, and ensure that they are developed on the basis of a sound Political Economy Analysis.
- Test any proposed new activity against the Joint Work Strategies, including an analysis of fit with other GfD activities, and implications for GfD resourcing.
- Continue to adopt a politically neutral stance in all interactions and ensure that relationships are built across the political spectrum, regardless of who is in positions of influence at any single point in time.
- Continue to engage a significant proportion of national advisers, and work with GoTL counterparts to identify ways to transition some of these advisers to in-line positions over time.
- Ensure that adviser terms of reference have a specific technical focus, and are not replacing general administrative or operational roles that should be undertaken by civil servants and funded by GoTL.
- Ensure that all terms of reference have a strong focus on capacity building and knowledge transfer.

### **Additional recommendations in response to lessons learned**

- Ensure that the development of policies and systems is inclusive and supported by a high level champion within government.
- Embed considerations of implementation in early stages of policy development.
- Plan for a realistic pace of policy implementation, recognising absorptive capacity and allowing for iterative learning and adaptation.
- Provide adequate support for policy implementation as well as development.
- Continue to work with development partners to identify credible focal points for coordination of development partner engagement in each sector.
- Continue to maintain a politically-neutral, broad-based of networks across GoTL stakeholders.
- Continue to maintain flexibility, and a willingness to capitalise on opportunities to circumvent blockages.

# Introduction

## Overview

Governance for Development (GfD) is an eight-year, A\$72 million governance program. The program commenced in 2014 and is due to end in June 2021. GfD supports evidence-based decision-making in the Government of Timor-Leste (GoTL) to improve the systems, policies and laws that underpin economic development and strengthened service delivery. GfD is working towards two end-of-program outcomes (EOPOs):

- GoTL makes evidence-based decisions and policy
- GoTL improves implementation of policy and delivery of services.

The program achieves this through a focus on three areas of reform:

- public financial management
- public administration
- economic development.

A fourth focus area that cuts across the three reform areas is strengthening alternative voices to influence public policy.

The program uses a range of modalities to deliver against these outcomes, including institutional partnerships, advisory support, grants to partner organisations, and study tours. The two predominant modalities, currently considered to represent best value for money, are placement of advisers in central government entities, and the funding of grants to deliver specific pieces of work or to contribute to specific aspects of GfD's theory of change. Grant partners include research institutions, Australian Government agencies, multilateral development banks, and international and national Non-Government Organisations (NGOs). GfD's activities are locally led, responsive to GoTL priorities, flexible and adaptive to changing contexts. All GfD-supported reforms are consistent with both the GoTL's Strategic Development Plan and achievement of GfD's EOPOs. GfD influences policy development and implementation by focusing on politically feasible initiatives with potential for broad-based bipartisan support, coordinating across development partner networks and government, and building trust and strong relationships with decision-makers and their advisers. GfD also creates ways for civil society organisations to engage with GoTL in GfD's three work areas through targeted financial support to non-government partners.

The program is delivered through joint arrangements between the Embassy, which leads on program strategy, and Cardno, the Managing Contractor, which leads on implementation. This relationship has evolved over the duration of the program, with Cardno playing an increasing role in program decisions in relation to program strategy, quality assurance, and decisions in relation to the placement and role of advisers.

## Context

The period November 2018 to April 2019 continued to be a time of political and budgetary uncertainty in Timor-Leste, which impacted significantly on the work of GfD. While the VIII Constitutional Government was sworn in in June 2018, the political divide between the coalition government (Alliance for Change and Progress – a coalition of the CNRT, PLP and KHUNTO parties) and president (Fretilin), along with internal tensions between parties within the coalition and the ongoing influence of the former Prime Minister, Xanana Gusmau, have continued to impact on government decision-making. Control of key ministries by different political parties within the coalition continues to fuel inter-agency tensions and makes inter-agency coordination and collaboration challenging. Approval of the 2019 budget by the president was

### GfD at a glance

 9 grant partners

 12 GoTL entities supported

 37 long-term advisers  
(77 per cent national)

 6 short-term advisory inputs

 827 officials trained

(30 per cent women)

delayed until February, which led to two months of duodecimo budget, and as at the end of April nine ministerial positions remain unfilled, including the key positions of Minister of Finance (MoF), Minister of State Administration (MSA), Minister Coordinating Economic Affairs (MCAE) and Minister of Tourism, Trade and Industry. GfD has navigated this by working with other ministries of central influence, including the Ministry of Legislative Reform and Parliamentary Affairs (MRLAP) and continuing its support to the UPMA within the Office of the Prime Minister (OPM). However, the program's ability to provide substantive support in relation to economic diversification, to engage with the MoF in relation to reforms to Public Financial Management (PFM), and to engage in the process of decentralisation, have been hampered by the lack of clear counterparts within GoTL.

More broadly, the economy of Timor-Leste continued to be challenged by political and economic uncertainty, with Gross Domestic Product (GDP) declining for the second consecutive year in the 12 months to April 2019.<sup>1</sup> However, the World Bank report predicts a positive outlook for 2019, with GDP forecast to grow by 3.9 per cent and inflation to remain below 4 per cent. The country's current account improved due to higher primary income, and its trade deficit reduced as a result of a reduction in imports and increase in exports. The economy continues, however, to be heavily dependent on oil and gas. The recent purchase of the Greater Sunrise offshore gas fields from ConocoPhillips, drawing on funds from the Petroleum Fund, illustrates the continued economic reliance on these finite natural resources. Increased withdrawals from the Petroleum Fund pose increased risks for fiscal sustainability and raise concerns about the ongoing sustainability of the Fund. While agriculture remains a critical sector, productivity remains low, and investments have been insufficient to support expanded production.

**Purpose**

This report details GfD achievements and progress against its anticipated outcomes for the period 1 November 2018 to 30 April 2019. The report has been written in accordance with DFAT Monitoring and Evaluation Standards, April 2017; and is informed by M&E House Progress Report Standards.

The structure of GfD's Monitoring and Evaluation (M&E) Framework is provided elsewhere in this document (section 0). However, in order to understand the structure of the report it is helpful to understand the broad structure of the M&E Framework, which includes seven key evaluation questions, and for each key evaluation question, a number of sub questions. A number of desired changes for 2018/19 are set in relation to each sub question. Key evaluation questions 1 to 5 evaluate effectiveness of GfD's three work areas (with 3 to 5 relating to different aspects of Economic Development), while key evaluation questions 6 and 7 relate to broader program-wide approaches. A table of GfD's key evaluation questions and sub questions is provided in annex 1.

This report summarises program performance, context and activities against each of the key evaluation questions; and for key evaluation questions 1 to 5 provides a narrative description of progress in relation to each of the sub questions, along with a rating of progress against each of the desired changes for this financial year. This enables an understanding of progress in each of the program's three work areas, as well as cross-cutting work to support other voices' contribution to public policy. Gender and social inclusion are addressed under each work area through responses to relevant sub-questions. Key evaluation questions 6 and 7 are discussed holistically rather than by specific sub question.

Contextual challenges, and program and operational risk, are covered in the document, as well as lessons learned for future years. The document also reports on changes in relation to operational issues including Human Resources, Finance and Workplace Health and Safety.

Desired changes – progress ratings	
	Change has been achieved or is on track
	Some delay
	Little progress

<sup>1</sup> Moving beyond Uncertainty: World Bank Timor-Leste Economic Report April 2019

Sources of evidence for this progress report included a Story of Significant Change on Performance Assessment Framework Indicator 8, an externally developed in-depth case study on GfD's way of working, adviser and grant partner reports, and key informant interviews with GoTL counterparts, as well as relevant publications / reports and media articles. A learning dialogue to consider the evidence on progress over the period was facilitated by M&E House on 9 May 2019. A reflection and planning workshop, which also provided evidence on GfD progress, was held over two days on 28 and 29 May, involving GoTL stakeholders (day one) and development partners and civil society organisations (day two).

## Summary of Program Performance

Overall GfD is considered to be on track in its progress toward **EOPO (1)**, with evidence of GfD supporting evidence-based decisions and policies in two out of three work streams (PFM and public administration). Protracted political instability slowed momentum and narrowed opportunities for new reforms in Economic Development, although some progress was made: the November 2018 Private Sector Development Review of Australian Government programs found that GfD has previously contributed significantly to improved business enabling laws and policies such as the private investment law, financial sector regulations and creation of SERVE as a 'one stop shop' for business licencing. Efforts to progress this work will step up during the next reporting period.

Progress toward **EOPO (2)** experienced some delays over the period, with political uncertainty contributing to slower than anticipated implementation. Nonetheless there was progress on implementation of some significant GfD-supported reforms, notably GoTL's Budgetary Governance Roadmap, policies on integrated workforce management and merit-based promotion processes in the civil service, as well as gender-responsive planning and budgeting reforms which enabled gender to be included in the analysis of first quarter government expenditure. In relation to strengthening the business enabling environment, the Private Sector Development Review noted that implementation has not yet gone far enough to result in many tangible benefits to businesses, although foundational work was undertaken during the period through IFC grant-funded support to Servico de Registro e Verificacaun (SERVE) and TradeInvest. It is expected that this will gather momentum throughout the next reporting period, including through the placement of a GfD adviser support within SERVE.

### Work area results

GfD's PFM work stream is **on track**. There continues to be high-level GoTL support for the Budgetary Governance Roadmap, which was developed with the support of the Organisation for Economic Cooperation and Development (OECD), funded by GfD. Implementation of program budgeting reforms is continuing with intensive GfD support, including implementation of Gender Responsive Budgeting and the development and implementation of the Dalan Ba Futuru (DBFTL) management information system. The recent OECD review of progress against the Roadmap found that progress to date meets expectations. The key focus for the coming twelve months needs to be on developing and implementing a MTEF.

GfD's public administration work stream is **on track**. The Workforce Planning Decree Law, developed with significant support from GfD, has been drafted and is expected to be presented to Council of Ministers in coming weeks. Other policies, including merit-based selection, supplementary remuneration for remote workers, and performance evaluation, have been drafted and are going through final phases of consultation. A process for merit-based promotion will be implemented in the next few weeks. The reporting period has seen strengthened engagement by the Civil Service Commission (CSC) with line ministries in development of key policy reforms, which paves the way for their effective implementation. Agreement has been reached on the interface between the Personnel Management Information System (PMIS) and Financial Management Information System (FMIS), with the technical interface expected to be completed in coming weeks.

There were **delays and less progress than expected** on economic development reforms, due in large part to the ongoing lack of a Minister for Economic Coordination, and resultant lack of engagement with GoTL in relation to economic reforms. However, some sound progress was made on laws and policies to strengthen regulation of safety and security in the aviation sector. While GfD has contributed to improved business enabling laws and policies such as the private investment law, financial sector regulations and creation of SERVE as a 'one stop shop' for business licencing, implementation of these laws and policies remains slow, and Timor-Leste's global rating in relation to 'ease of doing business' remains extremely low.

GfD's support for alternative voices in public policy continued to strengthen demand for improved delivery of services, and is increasingly focused on encouraging civic engagement with a broader cross-section of the community. Agreement was reached with Oxfam during the period on a new project to increase the influence of other voices in relation to agriculture and economic diversification. GfD's existing grant partners supported availability of evidence for decision-makers in Timor-Leste that would not otherwise be available. This includes reports produced by Monash University, The Asia Foundation's (TAF) Tatoli survey results, and a report by the Judicial System Monitoring Programme setting out recommendations for civil law litigation reform, highlighting the importance of enforceability of contracts and clarification of property rights for improving private sector confidence.

### Gender equity

GfD is supporting GoTL to develop gender-responsive systems and policies on public financial management, public administration and economic policy, and also provides specific support to the Secretary of State for Gender and Inclusion to take a leadership role on gender and inclusion across GoTL.

The period saw continued progress on implementation of Gender Responsive Budgeting, with the GoTL performance report for the first quarter of 2019 detailing gender expenditure, as well as commencement of a merit-based promotion round for general career regime civil servants, utilising gender-sensitive HR policies and systems that were previously revised with GfD support. GfD also supported strengthened GoTL commitment to production of gender statistics.

GfD grant partners provide key contributions to advocacy, evidence on and public discussion of gender and inclusion issues. As part of its focus on security sector monitoring, Fundasaun Mahein undertook and disseminated research on gender-based violence, Judicial System Monitoring Programme was involved in preparation of the shadow report on the Convention on the Elimination of all Forms of Discrimination Against Women implementation for presentation in the upcoming Universal Periodic Review, and also advocated for incorporation of incest into the Penal Code.

## Public Financial Management

### KEQ 1 To what extent did GfD contribute to improved budgetary governance?

**Overall progress rating: On track**

#### Context

The 2019 State Budget was approved in February 2019 after some delay and subsequent budget amendments due to an ongoing political impasse between the executive and head of state. The president initially vetoed amendments to the Law on Petroleum Activities, but subsequently promulgated the amendments, eliminating the 20 per cent limit on state participation in petroleum projects, and removing the need for prior inspection by the Court of Auditors for any petroleum-related contracts. This enabled the Petroleum Fund to invest in TIMOR GAP, and an allocation of \$650 million to be taken from the Fund to purchase the stakes of ConocoPhillips (30 per cent) and Shell (26.6 per cent) in the Greater Sunrise Joint Venture. These funds had been initially allocated from the State Budget. Following this re-allocation, a revised budget of \$1.482 billion was promulgated by the president on 7 February, an increase of \$205 million over the 2018 budget. With nine ministerial positions still unfilled, including the key ministries of Finance, Coordination of Economic Affairs, Health, and State Administration, the challenge will be the execution of the budget in the respective ministries.



Timor-Leste's PFM reform is being driven largely within the framework of the GoTL's Roadmap for Budgetary Governance Reform, developed on the basis of work undertaken by OECD in 2016/7 through GfD funding, and recently reviewed by OECD. The draft updated Roadmap, which focuses on the period 2019/20, contains three priority initiatives:

- Continue to implement program budgeting to embed the initiative in ministries and agencies and extend it to municipalities and independent state institutions. A key element of the initiative is to implement the DBFTL software, so government organisations receive performance information on the status of programs.
- Design and implement a MTEF and fiscal rule(s) to provide assurance on the management of revenue and expenditure decisions across sectors over a medium-term period.
- Implement the recommendations relating to capital budgeting, monitoring and implementation prepared by the International Monetary Fund in order to strengthen the planning, appraisal, selection and ongoing management of infrastructure investment projects.

Following the decommissioning (by MoF) of the Fiscal Reform Commission in early 2019, MoF has technically taken on responsibility for all fiscal reform. However, in the absence of a permanent Minister and with the draft Organic Law for MoF still being considered by the Prime Minister, there is ongoing lack of clarity about whom within MoF has responsibility for leading fiscal reform. More broadly, until such time as the MoF Organic Law is approved and a permanent Minister of Finance is appointed, there will continue to be some uncertainty about where planning and budget preparation functions will sit within Government moving forward (ie, whether some of these functions will be retained within OPM or whether all aspects of planning and budgeting will be moved to MoF). While there has been improved collaboration between UPMA and MoF, particularly in relation to the 2019 budget and preparation of PFM policies, frameworks and reform plan, tensions remain with respect to respective roles for planning and budget preparation, influenced significantly by the fact that OPM and MoF are run by different political parties. This is mirrored across some development partners, who continue to advocate for MoF taking the lead role on all planning functions as well as preparation of budgets. GfD remains agnostic as to the most appropriate structural arrangements for planning and budgeting and will seek to provide support through whichever institutional arrangements are agreed by GoTL, recognising that to date the prime minister has strongly advocated for UPMA to retain the planning and budgeting role within OPM. There are, however, indications that UPMA may progressively hand responsibility over to MoF for some key functions, and OPM and MoF are constructively discussing a transition plan for these functions, including further implementation of the Roadmap, to move to MoF. The recent establishment of an inter-ministerial council for fiscal and PFM reform (jointly chaired by the Prime Minister and A/g Finance Minister) is an extremely positive step towards resolving some of these institutional questions. In the meantime, GfD is increasing engagement with MoF, and a package of PFM advisory support to MoF has been offered to GoTL. Another positive step is agreement by GoTL to take on budgetary responsibility in 2020 for the Program Budgeting Advisers that are currently engaged through GfD (most likely within UPMA). GfD support for the Court of Auditors has also been considered but put on hold pending completion of a functional assessment by the European Union.

Early indications are that the recent public expenditure and financial accountability (PEFA) assessment will show that while some good foundations have been laid and basic PFM systems and laws are in place, significant implementation problems remain. There are positive observations in the draft PEFA report about UPMA's outreach efforts to line ministries and the quality of the budget books, although there are many areas of concern, including transparency of fiscal information and delays in Quarter Four reporting. It is clear that many public financial management challenges that are bottlenecks to service delivery –eg timeliness of budgets and salaries, and funding reaching frontline services, remain pressing concerns. It is important to note, however, that the PEFA review covered the period up to December 2017, i.e. before implementation of the Budgetary Governance Roadmap commenced, so it lacks currency and has limited application for assessing the progress of current reforms, an important point that is not emphasised in the PEFA report. Indeed, all areas considered by the PEFA assessment are addressed within the Budgetary Governance Roadmap, reaffirming the continuing relevance of the reform plan.



## Overview of activities

GfD has continued to play a significant role in relation to PFM reforms, primarily through its ongoing support for implementation of the GoTL Budgetary Governance Roadmap. This work has built on over three years of significant GfD investment in this area, including the development of a draft of and recent review of progress against the Roadmap by OECD, roll out of the initial two phases of program budgeting, the introduction of the concept of Gender Responsive Budgeting and gender markers, and work on the development of the DBFTL system. Preparation for the roll out of phase three of program budgeting is underway and will be a significant undertaking as the program budgeting process is extended to all municipalities and Special Administrative Zone, as well as remaining autonomous agencies.

The work has primarily been through the placement of 12 long-term advisers (two international and ten national) within UPMA. Eight of the national advisers provided direct support to line ministries for the rollout of program budgeting reforms, building on the work of the previous two years. An IT adviser continued to support development of DBFTL and its rollout to line ministries. GfD also provided a strategic planning and management adviser whose role over the past six months focused primarily on the coordination of information across GoTL in relation to Timor-Leste's obligations under the Sustainable Development Goal (SDG) Voluntary National Review (VNR) process, and other activities to ensure linkages between the Government's planning processes and the SDGs. GfD's senior gender adviser split her time between UPMA and the office of the Secretary of State for Gender and Inclusion. OECD continued to receive funding to monitor progress against the Budgetary Governance Roadmap.

Key activities during this reporting period included:

- Review of progress against the Budgetary Governance Roadmap by OECD and recommendations for updates to the Roadmap. The OECD report is currently being considered by GoTL and expected to be approved by the Council of Ministers in the near future.
- Ongoing support for the roll-out of program budgeting, building on the work of the previous two years. GfD advisers have continued to support the 56 entities that prepared their 2019 budgets based on a program budgeting approach as they monitor progress against the budgets and begin preparation for the 2020 budget. Additional support has been provided to develop the budget structure for and introduce the concept of program budgeting to municipalities and the remaining Organs of State that will adopt program budgeting in 2020.
- Development and roll out of a new format for the government's quarterly performance report for the 2019 first quarter report, which provides clear targets and results by each individual program. It is already receiving positive feedback, with national parliament requesting additional electronic and hard copies.
- Preparations for the launch of DBFTL, a comprehensive web-based system that supports a holistic approach to planning, budgeting and monitoring and evaluation, and provision of training to all government entities on the system. While DBFTL has been in use by UPMA and line ministries for the past twelve months, in June 2019 it will be launched as a tool that will be accessible to line ministries and municipalities, with a view to it being made available to the public later in the year. The system will support evidence-based decision making around budget allocations and will enable tracking of program performance and budget expenditure, providing a clear line of sight between budgets and service delivery targets.
- Completion of a draft suite of 23 standard operating procedures and information fact sheets and material for the planning, monitoring and evaluation processes recently implemented through the PFM reform program.
- Support for Timor-Leste's participation in the SDG VNR process.
- Support for adoption of a MTEF policy note by MoF.
- Support for the inclusion of gender markers in line ministry annual action plans and the general state budget.
- Facilitation of results based management training for Secretary of State for Gender and Inclusion.

### SQ 1.1 To what extent are relevant PFM laws and policies in place to support the improved budgetary governance system? (EOPO1, IO1)

During the reporting period OECD completed a review and draft update of the 2017 Roadmap on Budgetary Governance Reform as part of their GfD-funded program to strengthen PFM. The review included consultations in Dili with Government stakeholders as well as development partners and civil society and resulted in presentation of a report to GoTL in March 2019, including recommendations for a revised GoTL Budgetary Governance Reform Roadmap. The OECD report is currently being considered by GoTL and is expected to be approved by the Council of Ministers in the near future, following which the Budgetary Governance Roadmap will be updated by MoF. The Roadmap is important in guiding key law and policy reform for improved budgetary governance.

The OECD review noted that an important focus for the coming year is implementation of a MTEF. Following adoption of a MTEF policy note by both UPMA and MoF in early 2019, there have been delays in developing and agreeing to an implementation plan, noting the somewhat ambitious timeframe set by the Roadmap. As well as delays due to elections, this work has been dependent upon completion of medium-term strategic plans with agencies which are still underway. With the establishment of the inter-ministerial council, progress is expected on medium-term strategic planning, and UPMA and MoF are expected to co-lead development of a MTEF implementation plan and attain whole of government agreement during 2019/20. This sharing of policy work between UPMA and MoF is helping to build a cohesive approach to implementation of the PFM reforms and is contributing to a better working relationship between UPMA and MoF, as seen through the collaboration on the 2020 budget preparation work.

GfD has also supported the development of a framework for monitoring of progress against annual action plans and budgets, which has been approved by the prime minister. The M&E framework is important in this stage of the Government reform plan as it details how UPMA, line ministries and Autonomous Agencies will monitor and evaluate progress against the GoTL Planning Framework. It shows the relationship between each layer of planning and constitutes the beginning of an M&E capacity building plan. As implementation of program budgeting continues in coming years, sub-sectoral ministries and agencies will develop a more detailed M&E framework with support from UPMA.

#### Desired Changes 2018/19

UPMA and Ministry of Finance develop and agree MTEF implementation plan



Budget ceilings for 2020 Budget set on Strategic Development Plan priorities linked to program budgeting classification and nationalised SDG indicators



OECD report and updated governance roadmap is approved by CoM



### SQ 1.2 To what extent is there improved government leadership, management and coordination on PFM? (IO7, IO3)

Whole of government coordination on PFM reform has remained challenging, but the prime minister continues to be a strong advocate for PFM reform and the implementation of the Budgetary Governance Reform Roadmap. The UPMA coordinator, with GfD support, has also demonstrated significant leadership in the implementation of program budgeting and has invested in strengthening the relationship between UPMA and MoF. Some significant improvements have occurred across the reporting period. In particular:

- The launch of the Inter-ministerial Council on Fiscal and PFM Reform. The group has been established but is however not as yet meeting regularly. It is expected that presentation of the OECD report to Council of Ministers and the updating of the Roadmap will provide renewed momentum for the Council to meet.
- Improvement in coordination between MSA, MoF and UPMA in relation to program budgeting and planning preparation for 2020. The establishment of sub-working groups (expected to be included in the revised Roadmap) will establish a formal coordination mechanism.

#### Desired Changes 2018/19

Inter-ministerial Council on PFM reform (with PFM WG as a sub-group) established and meeting regularly



One roadmap for all PFM reform adopted by the Inter-ministerial Council.



- Collaboration between MoF and UPMA on some major initiatives, including work on an integrated budget proposal and work to update the Roadmap.
- Inclusive policy making: consultations with development partners and civil society as part of updating the Budgetary Governance Roadmap.
- Line ministries are taking increasing ownership of their planning and budgets. In preparation for the 2019 budgets, line ministries for the first time prepared and presented their own budgets to the Budget Review Committee. In a recent interview the UPMA coordinator observed that line ministries used to focus primarily on expending allocated budget, but are now increasingly able to exercise leadership on how strategic priorities will be achieved, with entities engaging in up front planning and better able to track performance against plans over time. This was reinforced in interviews recently conducted for a GfD story of significant change in relation to PFM reforms.<sup>2</sup>

In the past, when we allocated budget, we just picked the total amount, e.g. office stationary, motorbikes. However, in the new system, the first thing we need to identify is the purpose behind the spending, and then we can allocate budget. (SEPFOPE, GfD SSC)

### SQ 1.3 To what extent are improved PFM systems and processes being developed and implemented? (EOPO2, IO5)

The progress of implementation of program budgeting and related reforms is in line with expectations. The process continues to be locally-led, with strong commitment from the Prime Minister to progressing priorities and meeting timeframes. However the combination of OECD's external expertise, harnessed through GfD grant funding, together with GfD adviser support for implementation of reforms, is viewed by Government counterparts as essential to the progress of reforms. OECD's assessment is that progress is in line with the target for this financial year, and that Timor-Leste has made as much progress in PFM reform over two years as Cambodia did in 20 years.

GoTL has completed integration of program budgeting into the chart of accounts, and all related planning templates have been developed and implemented. In other words, program structures now underpin the structure of the GoTL budget. In addition, development partner contributions are now included in the annual budget process.

Following Phase 1 and 2 rollouts of program budgeting reforms during 2017 and 2018, a total of 56 entities have transitioned to program budgeting. Training has now been delivered to line ministries on the new streamlined template for preparation of 2020 budget annual plans. program budgeting advisers, together with the UPMA team, have been preparing for implementation of Phase 3 of the reforms, which involves transitioning all remaining GoTL entities to program budgeting for the 2020 budget, including 13 municipalities / Special Administrative Zone and 12 Special Organs of State. Representatives of all municipalities and Special Administrative Zone have participated in initial workshops to be introduced to the concept of program budgeting and the updated Guideline for Implementation of program budgeting for municipalities has been developed and distributed. A comprehensive training process will be rolled out over coming months to support relevant staff from municipalities and Organs of State to prepare their 2020 budget using the program budgeting approach. A decision is yet to be finalised as to whether this will entail secondment of municipal staff to Dili, or provision of support in the municipalities. GfD is supporting improved coordination between UPMA and

Desired Changes 2018/19	
OECD assessment finds that the implementation of the roadmap is at least 70 per cent on track	●
All LMs and AAs budget books for 2019 for General State Budget use program classification	●
DBFTL used for 2019 performance reporting and 2020 budget setting	●
DBFTL adopted as the basis tool for M&E	●
MTEF policy note socialised with MoF.	●
Consultations undertaken with Autonomous Agencies on proposed development of legislation on collection of fees and charges	●
Nationalized SDG indicators developed	●

<sup>2</sup> SSC March 2019: Strengthened alignment between government priorities and budget allocations.

municipalities in relation to the introduction of program budgeting through two GfD advisers working closely with MSA.

Phase 3 is the final stage of the rollout of program budgeting, which is an important component of the Roadmap reforms. While there will be a need for continued support from UPMA to embed the reforms, it will mark a shift from budgets based on input costs to outcomes-based budgeting, with performance measures that inform assessment of the success of the program. GfD has, however, raised with UPMA the risks of Phase 3 being rolled out too quickly, before municipalities have adequate capacity to absorb the changes, and is working with UPMA and MSA to advocate for an incremental, staged approach which focuses initially on those municipalities with the greatest capacity, and allows time to analyse and incorporate “lessons learned” as implementation progresses. Initial PEFA debrief comments suggested that a key achievement from UPMA has been the impact of its outreach to line ministries, noting that line ministries have been given a voice in relation to the preparation of budgets that they didn’t have before. The PEFA review also commented on the quality of budget books – that they are remarkable for a country at Timor-Leste’s stage of development, although they did raise questions about the sustainability of the reforms.

The DBFTL monitoring module has been developed and will result in many improvements to the system in the 2019 quarter reports and upcoming 2020 budget. Initial training on DBFTL has been delivered to all Government entities, and follow-up training scheduled for July will advise entities on how to enter results into the system. While first quarter reports were prepared manually, it is expected that as a result of this training, together with mentoring and support from UPMA staff, entities will be able to enter their second quarter results directly into the system.




The SDG VNR process remains on track, with the final report to be presented at the High Level Political Forum in New York in July. While some questions remain over quality of underlying data and statistics which will need to be addressed in coming months, this is a major achievement, and provides a report on progress against the Strategic Development Plan.

A review of fees and charges, undertaken through GfD’s support to the Fiscal Reform Commission, is currently on hold, following the disbanding of the Commission, but will be taken forward by GoTL under the new inter-ministerial council, and has laid an important basis for future work in this area.

#### **SQ 1.4 To what extent are PFM policies, systems and processes more gender-responsive and socially inclusive? (EOPO2, IO5, Promotion of gender and inclusion)**

While Timor-Leste is party to international treaties on gender and aspires to gender equality in its Strategic Development Plan, until recently there was no mechanism for implementing gender mainstreaming in government programs, nor allocating budget or monitoring results. With GfD support, a Gender Policy Note was approved by the PFM working group in August 2018 and endorsed by the Council of Ministers in December 2018, which describes the different stages in implementing Gender Responsive Budgeting, using the Budgetary Governance Roadmap as a foundation. Line ministries and municipalities are encouraged to mainstream gender into their annual action plans, most of which now contain a section showing gender balance among staff in each line ministry.

Gender Responsive Budgeting was a specific focus of this OECD review, at the request of GoTL, following the PM’s request in 2017 that these reforms be brought forward, indicating GoTL’s ongoing commitment to and prioritisation of gender-focused reforms. The review found that GoTL has made significant progress on Gender Responsive Budgeting over the last few years and there is evidence that this has resulted in line ministries and agencies beginning to apply a gender perspective to the planning and budget process. This is largely a result of the work of GfD’s senior gender adviser in supporting the establishment of gender activities and markers in line ministry annual actions plans. The

Desired Changes 2018/19	
Gender markers and gender indicators integrated in DBF in 2019 budget	
Gender-responsive budgeting and planning is implemented and at least the 10 service delivery institutions (phase 1 entities) and prepare sound gender-responsive budgets for 2019	
2019 gender budget statement implemented	

senior gender adviser has also supported Secretary of State for Gender and Inclusion M&E staff and chiefs of departments to strengthen their planning, monitoring, evaluation and reporting capacity. For the first time in 2019 the budget includes gender markers to identify the extent to which programs are gender sensitive. Information provided by the gender marker helps Secretary of State for Gender and Inclusion and UPMA ensure that all institutions have a program or activity related to the promotion of gender equality. It also assists the government in tracking the overall funds allocated to the promotion of gender equality. This information is published on a quarterly basis and made available to parliament, as well as on the budget transparency website. The first quarter analysis, to be submitted to parliament in June, found 16 per cent of actual expenditure was on programs focusing on gender equality as a principal objective. It is likely, however, that this figure is overstated, with the analysis also identifying that some line ministries marked their programs as 'principal' when in fact their programs are not designed with a principal objective of reducing gender inequalities. Furthermore, while the majority of ministries included activities in relation to gender, these tended to focus on internal activities rather than mainstreaming of gender in external programs.

A continued focus on strengthening the capacity of line ministries will be crucial to progressing gender mainstreaming and ensuring the correct application of the gender marker. There is still some way to go before gender mainstreaming will be embedded in line ministries. A number of ministries report that they are under-resourced to achieve this and will require ongoing support for the implementation of Gender Responsive Budgeting reforms, in relation to both the use of the annual planning template, and the design and implementation of gender-focused activities. The OECD review suggested that changes are not yet being substantively considered by entities in a way that is resulting in a development impact. Early developments could be further strengthened through the establishment of gender focal points and gender units across line ministries.

Less work has been done to date in relation to other areas of social inclusion in PFM, although preparatory steps are underway to develop inclusive markers (e.g. for disability, child rights) for use in DBFTL and financial management systems in time for 2021 budget preparation. Further analysis on gender will also inform broader of broader social inclusion, such as the impact of gender-focused activities on youth, the elderly or the disabled. A seminar on disability inclusion held in March by the CSC, with support from GfD, was a first step towards raising awareness across GoTL about the importance of disability inclusion. In coming months GfD will invest in training to raise the awareness and understanding of its program budgeting advisers about disability inclusion, and how this might be reflected in future GoTL programs and budgets.



*GfD team attending disability inclusive development training. Photo: Johny Viegas*



### SQ 1.5 To what extent is budgetary and performance information accessible to decision makers, civil society and other stakeholders? (IO1, IMO1)

DBFTL is the key tool developed by GfD to support enhanced monitoring of financial and performance information and increased transparency of GoTL budget planning and implementation. DBFTL, which is fully integrated with the chart of accounts, establishes transparent system controls that support accountability in budgetary decisions and efficacy of budget execution. The system, developed by a GfD national IT adviser in UPMA, is already available to decision-makers within government, including the national parliament and the court of accounts. Parliamentarians received training on the DBFTL budget module during 2019 budget preparation (October/November 2018), however training on the monitoring module of DBFTL has been postponed until all entities are using program budgeting. Extensive training for Parliamentarians on both budget analysis and performance reporting is now scheduled for October/November 2019.

The official launch of DBFTL has been delayed, primarily due to delays in the passage of supporting legislation that requires government entities to utilise the system. Following the official launch (now scheduled for mid-June 2019), DBFTL's transparency dashboard will eventually be made publicly available, supported by training for civil society, NGOs and Chefe Sucos, which will provide civil society with the ability to monitor government expenditure, including by municipality. This will extend the information that is already publicly available through the MoF transparency portal, showing not only budget expenditure, but also program progress and results, down to the activity level. There will be further work to link the MoF transparency portal and DBFTL once the UPMA Decree Law has been passed.

DBFTL is very important. It helps us to spend our budget in accordance with our planning, which is linked to achievement of government priorities. The system was flexible before, people could change the budget, but the current system has greater controls. If people want to change how the budget allocation is to be spent, they have to give justification in a formal letter and send it to the head of their entity, and then send it to UPMA. (Director General Aniceto Barreto, National Hospital, GfD SSC)

Oxfam have already held early discussions with GfD about the opportunities that DBFTL will provide for civil society organisations (CSOs) to access information about GoTL programs and budgets. The system will be a valuable tool to support their Open the Books program, which aims to increase civil society financial budget literacy and voice in PFM policy and decision-making, as well as the newly-funded Hadalan program on strengthening civil society voices in agriculture and economic development.

### SQ 1.6 What evidence is there that the improved budgetary governance system has contributed to improved service delivery outcomes (including gender and social inclusion programs)? (EOP02, IMO5)

There is some evidence that the shift to program budgeting is resulting in budget decisions better reflecting stated government priorities, with line ministries and autonomous agencies able to advocate directly to the Budget Review Committee for increased budget based on service delivery priorities. The link between budget and achievement of outcomes, coupled with the new, collaborative and inclusive approach to budget preparation and presentation, enables the Budget Review Committee to make more informed budget

#### Desired Changes 2018/19

Parliamentary decision-makers are trained in use of DBFTL and program budgeting.



Information in DBFTL is available to government and to the public.



DBFTL is launched as a platform to enable all ministries using program budgeting to develop their budget using the system, and as a means for producing quarterly monitoring reports.



#### Desired Changes 2018/19

Government program mapped against Strategic Development Plan /SDGs for annual budget



Government priorities and costings aligned with program classification presented at the budget journey and used to set the budget ceiling.



GoTL 2019 Q1 progress report shows link between budget and result.





allocation decisions based on program priorities and fiscal reality. For example, with an increased awareness of how budget allocations link to service delivery priorities, the National Hospital successfully argued for an additional US\$2.575 million in their 2019 budget, a 32 per cent increase. The director general of the hospital could clearly articulate the expected positive impacts on service delivery and patient care, and how these link to fulfillment of Timor-Leste's National Health Strategic Plan 2011–2030 as well as the Strategic Development Plan. Other examples of increases in the 2019 budget include the Ministry of Higher Education, Science and Technology, (77 per cent increase), and the Ministry of Public Works (54 per cent increase). Overall, 50 out of the 56 entities using program budgeting received additional budget beyond their original allocation, amounting to US\$315.475 million. Without entities being able to directly present their budget needs (linked to service delivery priorities) entities would have received the same allocation as for 2018.

While the intention had been for the 2020 budget ceilings to be set using Government priorities and costings, the delay in finalising Government priorities makes it not practical at this time. Preparation of the 2019 Q1 progress report, due at the end of May 2019, is underway. It is expected that the report will show a clear linkage between program results and program budgets.

The 'value for money' of GfD's PFM reforms is expected to become clearer over the next two years: central reforms have now progressed to a point that clear flow-on effects to service delivery, and economic value to GoTL, are expected and will be measured over the remainder of GfD Phase II.

### **Risks – KEQ1**

While broader program risks are described in detail in the program's risk matrix in annex 4, there are a number of risks faced by GfD specifically in relation to improving budgetary governance, including the following. Mitigation strategies are addressed in the recommendations below.

- UPMA/MoF tensions and rivalry, driven by allegiance to different political parties, may undermine implementation of reforms
- Protracted lack of permanent leadership of MoF (with a 'shadow minister' who has a different approach and priorities to the A/g minister) risks undermining MoF's commitment to PFM reforms, curtailing GfD's ability to provide PFM support to MoF, and posing risks to UPMA's planned transition of responsibility for Roadmap implementation to MoF
- Different approaches to PFM reform among development partners and divergent views of the appropriate role of OPM in planning / budgeting may lead to conflicting advice to government.
- Political instability could continue to hamper budget decisions, and lead to delays in subsequent years in relation to budget approval processes.
- Heavy reliance on GfD advisers within UPMA could inhibit capacity building of civil servants and the sustainability of PFM reform processes.
- Ongoing lack of resourcing and capacity within line ministries and other government entities could compromise the long term success of the implementation of program budgeting.

### **Recommendations – KEQ1**

- Engage with counterparts within MoF and continue to discuss potential opportunities for placement of GfD advisers within the Ministry, including in relation to the development and implementation of the MTEF, which will constitute a significant foundational step in the transition from annual budgeting to medium-term budgeting and rolling forward estimates.
- Continue to focus on 'one Roadmap' which brings together and aligns OECD and PEFA recommendations and engage with other development partners on the importance of doing so.
- Continue to work with line ministries to improve understanding of the annual planning template and support successful implementation of Gender Responsive Budgeting reforms.
- Closely monitor the roll out of Program Budgeting to the municipalities, and provide advice to GoTL on the benefits of an incremental, staged approach with time to analyse and incorporate "lessons learned" at each stage.
- Take a lead role in the coordination of other Australian Government-funded program in relation to the implementation of Gender Responsive Budgeting in line ministries and at the municipal level

- Draw on learnings from Gender Responsive Budgeting with a view to considering how they might be applied to broader issues of socially-inclusive budgeting and climate-resilient budgeting.
- Coordinate with Oxfam's Open the Books program to identify opportunities for strengthening financial and budgetary literacy of civil society and building coalitions for change in relation to PFM issues.

## Public Administration

### KEQ 2 To what extent did GfD contribute to improved public administration?

**Overall progress rating: On track**

#### Context

The VIII Constitutional Government aims to improve citizens' access to public services through improved government performance in terms of efficiency, effectiveness and accountability. The newly-established MRLAP is responsible for the development and coordination of policies and legislation, promotion of public administration innovation (e-government) and strengthening of institutions to implement policy and deliver services. The role of the CSC, established under OPM in 2009, is to provide a framework for all human resource management and development activities across the civil service in Timor-Leste, in accordance with the provision of the CSC Act, and to implement public sector reforms to improve the efficiency, effectiveness, responsibility and quality of the civil service. The mandate of the current five CSC Commissioners expires in May next year.

MRLAP is progressing the development of a public administration reform strategy, which will set out a structure and roadmap, including ministry roles and responsibilities, for the implementation of reforms to strengthen public administration performance. Meanwhile the CSC has continued its program of reforms during this reporting period, while continuing its day-to-day work. An area that has received specific attention during this reporting period is the employment of people with a disability, supported by strong commitment of the commission president. GfD is working in collaboration with MRLAP while continuing its support to the CSC to promote effective public administration.

MSA also has a prominent role in relation to public administration with respect to decentralisation and service delivery at the municipal level. Despite the current lack of a minister, progress continues in relation to the Government's decentralisation agenda, with particular progress being made in relation to the budget process for 2020. While GfD has not provided advisory support to the ministry during the past six months, the program is coordinating closely with the Village Development and Municipal Strengthening Program in relation to future advisory inputs.

The relationship between the CSC and GfD continues to be excellent, professional and collegial and is based on long term support from the Government of Australia since the CSC's establishment. GfD has also successfully established a respected and highly valued role within MRLAP, demonstrating the valued-add of the advisers in helping the Minister rapidly manage the transition to new institutional arrangements and scale up the ministry's legislative reform agenda. Some lack of clarity of the boundaries of MRLAP's mandate, and the respective roles of MRLAP and other GoTL entities have, however, caused some tensions between MRLAP and other entities involved in public administration (in particular the CSC and UPMA), and have highlighted the need for regular dialogue between the different entities at both a formal and informal level.

An emerging area of crucial importance in public administration is Information and Communication Technology (ICT). GoTL is considering the future of a number of government ICT systems in both central agencies and in line ministries and has sought GfD support. GfD's response has been to engage with TIC Timor, the central government ICT entity within OPM, and the program has proposed a package of advisory support for the new financial year that includes ICT governance, strategy, legislation and e-governance.

## Overview of activities

Within the CSC GfD has been supporting the development and implementation of a range of decree laws and policies in relation to human resource management across the civil service, through the work of seven long-term advisers (two international and five national) working in strategic planning, HR, legal and IT functions. The appointment of a senior legal adviser in December 2018 and, at MRLAP's request, a senior public administration adviser in early January within MRLAP, complementing three national advisers, has enabled the program to start work on broader public administration reforms, and a strategy for achieving these. Specific activities in the past six months have included:

- Further consultations in relation to the Workforce Planning Decree Law prior to presentation to the Council of Ministers.
- Development or revision of policies on recruitment, promotion, performance evaluation, and supplementary remuneration for civil servants working in remote areas.
- Support for the upcoming general regime civil servant promotion round.
- Development of a training manual for CSC investigators to support training of staff in the Disciplinary Unit.
- Revisions to and redefinition of the Internal Regime for GJPRU.
- Facilitation of formal agreement between CSC and MoF in relation to interface of PMIS and FMIS.
- Other significant improvements to IT systems within the CSC, including establishment of a fibre optic connection between the two CSC locations, and establishment of a secure data centre.
- Coordination of whole-of-government consultations in relation to a long-term public administration reform program and support through MRLAP for development of associated legislative and regulatory reforms.
- Workshop held by the CSC to raise awareness of the importance of disability inclusion within the civil service.
- Contributions to a report on projects and activities under 2nd Mandate of the CSC. This report will be released at the end of this Commission's mandate in May 2020.



*Civil Service Commission consultation session on the new civil service performance evaluation policy. Photo: Maria Nunes*

### SQ 2.1 To what extent has GfD supported evidence-based and inclusively developed public administration law and policy? (EOPO1, IO2)

GfD advisers supported the development or review of a number of HR policies during the reporting period, which are nearing finalisation. Some delays in their submission for approval are attributable to competing priorities for the remainder of the CSC's second mandate, as well as a recognition of the importance of increased stakeholder consultation in the policy development process.

A key reform in which GfD has taken a lead role has been in drafting the Workforce Planning Decree Law and related policy. This is a significant step in the management of the civil service workforce, placing for the first time a cap on the number of civil service positions (in legislation separate from the budget process) and requiring appropriate analysis to be undertaken of workforce requirements to achieve program outcomes. Overall the proposed annual limit of Ministry growth of 3.5% may see staffing figures stabilize within existing Ministries covered exclusively by the Civil Service Commission mandate. While it is unlikely to lead to redundancies it may put pressure on Ministries to formalize the transition of casual employees and perhaps key contracted roles to permanent positions. Presentation of the Decree Law to the Council of Ministers was delayed as a result of a decision to undertake increased consultations and is expected to take place in coming weeks.

Other Decree Laws will support a shift towards a more accountable civil service through the implementation of merit-based selection and promotion, and objective performance evaluations. Progress of the Decree law on performance management has been slower than anticipated, due to the adoption of a consultative approach to policy development (in which GfD advisers have been integrally involved), but it is expected to be finalised and presented to the Council of Ministers in coming months. The process of updating the Remote Areas of the Public Service has also been slightly slower than anticipated, but is expected to be completed by mid-July.

A key achievement in the CSC has been a cultural shift towards more inclusive and participatory policy development, which promotes ownership and understanding of policies by the line ministries through which they will be implemented.

Desired Changes 2018/19	
Consultative development (including through GJIPRU) of policy underpinning of Workforce Planning Decree Law	●
New workforce planning decree approved by Council of Ministers	●
CSC leads inter-ministerial policy making process to conduct assessment to update the remote areas of public service.	●
Decree Law on performance management is amended and subsidiary regulations drafted to enable the roll-out of the new CSC developed individual results-based performance system.	●

### SQ 2.2 To what extent is there improved leadership, management and coordination on public administration? (EOPO1, IO3, IO7)

Since their appointment to MRLAP in late 2018, GfD advisers have taken a lead role in the coordination of whole of government consultations on a long-term public administration reform program which aims to reduce overlapping mandates of institutions and duplicative government programs. Progress on the implementation of associated legislative and regulatory reforms will be overseen by MRLAP, with ongoing GfD support. MRLAP's leadership of this process is enabling a coordinated and strategic approach that has not previously been in evidence across GoTL, although has also led to some tensions between government entities in relation to institutional mandates and boundaries of authority. The slight delay in relation to the Reform Program is a result of the newness of the Ministry and a period of clarifying its role and ways of working, as well as the time needed for extensive consultation across government entities. A draft of the Program will be presented in early June.

Desired Changes 2018/19	
PA Reform Program drafted using consultative process	●
Leadership capacity within the CSC results in improved alignment of CSC activities with its strategic plan	●
CSC effectively carrying out its mandate to support effective administration of the civil service and compliance with laws and policies - as evidenced by entities actively seeking advice and guidance from CSC on civil service/workforce matters.	●





The CSC's leadership capacity has strengthened significantly, as evidenced by the progression of many activities within the CSC Strategic Plan, and an increasing focus on evidence to underpin decision-making. Legal opinions, policy options, ICT analysis and reports developed by GfD advisers have been used by the CSC in policy and disciplinary decisions, new policy formulation and speeches to influence public service attitudes and practices. As the entity with central responsibility for human resource management and public sector reforms across the civil service, the CSC has been increasingly active in engaging with line ministries with a view to effective development and implementation of key reforms. For example, the development of the Decree Laws on workforce planning, and on the draft amended performance evaluation system, have included extensive consultations with the line ministries in which they will be implemented. The GJPRU forum (Human Resources Managers' Group including HR representatives from line ministries), coordinated by the CSC, is becoming an increasingly useful forum for consultation with line ministries in relation to HR issues and policy discussion.

The CSC seminar on disability inclusion, involving senior officials from across the civil service as well as CSOs, is another example of CSC taking an increasing leadership role in relation to key workforce issues. Further, the CSC is engaging with National Parliament on development of a memorandum of understanding on integrity of the civil service.

### **SQ 2.3 To what extent have improved systems and tools been developed to effectively support public administration? (IMO7, IMO8)**

With significant technical and informational input from GfD's IT adviser to the CSC, agreement was reached between the CSC and MoF in January 2019 to proceed with the interface between CSC's PMIS and MoF's FMIS (the latter includes the GoTL payroll system). Once launched, the interconnection will enable data-cleansing that significantly enhances the integrity of the payroll system, removing duplication of civil servants' data and 'ghost' employees. Previously when civil servants moved between agencies they could end up with multiple entries in the payroll system: the establishment of the PMIS / FMIS interface will give employees a unique identification number and eliminate duplicate entries. The interface will also reduce double-handling of data and reduce the likelihood of errors (accidental or deliberate) in payroll information. Although agreement has been reached between the CSC and MoF, there have been delays in completing the technical interface, pending resolution of contractual issues between MoF and the vendor of the FMIS. The technical interface is now likely to be completed in July. Input from the IT adviser has also been highly valued by the CSC in relation to resolving issues of internet connectivity, ensuring appropriate data backup systems are in place, and addressing contractual challenges between the CSC and PMIS vendor.

GfD has provided advisory and technical support for the design, planning and implementation of a merit-based promotion process for general career regime civil servants. Progress has experienced some delays due to the logistics involved with such a large-scale undertaking, for example the sourcing of equipment required to assess candidates, and is now due to commence in July. The promotion round is the first ever merit-based vertical promotion process since the creation of the civil service in 2002 and is open to approximately 10,000 candidates. Ten per cent of these are expected to be promoted. The process will become a routine annual priority of the CSC. The introduction of merit-based promotion, together with reforms to performance management, is expected to contribute to improved motivation and performance across the civil service. Support for the implementation of performance management reforms (following the approval of the Decree Law on performance management) will be a key focus for GfD advisory support over the next period.

Desired Changes 2018/19	
MoF and CSC agree to the PMIS/ FMIS interface, interface is launched and operational.	
Civil service promotion round (merit-based) underway	

#### **SQ 2.4 To what extent have public administration policies and systems been resourced and implemented across government? (EOPO2, IO5)**

Public administration continues to be under resourced, with insufficient senior managers experienced in human resource management, which hampers the pace of public sector reforms and implementation of human resource reforms across the civil service. However, there are some examples where GfD has influenced resourcing decisions to strengthen implementation of public administration policies and systems.

For example, the inter-ministerial technical working group on supplementary remuneration obtained the commitment of line ministries and autonomous agencies to budget for the cost of the involvement of their staff in the assessment process.

On a broader issue, ICT is emerging as a key challenge for GoTL entities, and also as a focus for development partners, who are frequently approached by agencies seeking resourcing and technical support for ICT systems and tools. Further, GoTL is embracing the concept of e-government, although to date has not had the resources to progress this. Given the foundational nature of ICT, its critical role in enabling other reforms, and also the potential cost of large scale ICT investments and associated risks, GfD has convened an ICT working group across Australian-funded programs to discuss issues of common interest in relation to government ICT systems, and to develop a more coordinated approach. Further support by GfD to GoTL's central IT agency (TIC) is being discussed and expected to result in placement of advisory support to strengthen government-wide ICT governance, strategy and decision-making, with a view to progressing GoTL's e-government strategy, developing relevant ICT policies and legislation, and improving decision making around ICT investments to take account of issues of interfaces between systems, ongoing cost and sustainability, and GoTL technical standards.

##### **Desired Changes 2018/19**

ICT working group across Australian-funded programs established



#### **SQ 2.5 To what extent is public administration practice (systems and processes) more gender-responsive and socially inclusive? (EOPO1, Promotion of gender equality and inclusion)**

During the reporting period the president of the CSC clearly demonstrated his commitment to a more inclusive civil service, in particular in relation to people with a disability. A one-day national seminar on people with disability in Timor-Leste's public administration, held on 5 March and supported by GfD, was the first time that organisations representing people with disability have been invited by the CSC for public consultation. The seminar was attended by Directors General and Directors of HR from line ministries as well as civil society representatives.

##### **Desired Changes 2018/19**

CSC leads consultation with government and DPOs on disability inclusion in the civil service



CSC leaders receive training on developing gender-sensitive and socially inclusive policies and practices



Following on from the seminar, GfD hope to support CSC to run a series of focus group discussions across the country to better understand the barriers to participation in the civil service experienced by people with a disability, and will enable mapping of disability across the Civil Service through the 2020 Population Census through support to the national statistics directorate from the Australian Bureau of Statistics. The data obtained from these activities will provide a strong base from which to develop a strategy to increase disability inclusion across the civil service. GfD has also supported the CSC to produce a short video on disability inclusion which includes representation of high-level GoTL figures in promoting the importance of disability inclusion. The video will be launched in coming months.

While the inclusion focus over the past six months has been on disability, the CSC continues to develop and implement policies that support employment and promotion opportunities for women. For example, promotion processes must involve at least one female panel member, must attain applications from female candidates, and in the event that two applicants are equally rated, preference will be given to the female candidate for appointment into the role.



GfD's gender adviser continued to mentor the CSC gender focal point to build gender awareness both within the CSC and across the civil service. A briefing on gender concepts, challenges and GoTL actions to address gender inequality was provided to a Timorese delegation prior to their participation in the Australian Fellowship program, which included CSC representatives. After the program, a gender workshop was organised for CSC leadership on gender concepts, transformative leadership (delivered by Secretary of State for Gender and Inclusion) and domestic violence (delivered by NABILAN), with pre- and post-tests, showing that the majority of the participants increased their knowledge.

#### **SQ 2.6 What evidence is there that improved public administration has resulted in improved efficiency and effectiveness of the civil service and / or government functions? (EOPO2)**

Payroll data cleansing, facilitated by the interface between the PMIS and FMIS, is expected to create efficiencies and savings through improving the quality of payroll data and removing error, duplication and the incidence of 'ghost' employees. While there were no specified targets set for 2018/19, a target for next financial year will centre around accuracy of civil service and payroll data so that it can be used to forecast budget and planning.

When implemented it is expected the workforce planning reforms will have a significant impact on the efficiency and effectiveness of civil service, enabling GoTL to work towards a workforce that is fit-for-purpose in terms of both size and skills. This will, however, be a long-term process, and difficult to assess within the life of the current phase of GfD.

The implementation of other HR policies whose development has been supported by GfD are expected to also strengthen the performance of the civil service in the long term, including the implementation of job descriptions that reflect the actual requirements of positions; merit-based selection processes that enable ministries to match skills to jobs; merit-based promotion processes that motivate employees by rewarding strong performers, and objective performance evaluation processes that link performance reviews to the actual requirements of the job.

Efficacy of decision-making around disciplinary proceedings continues to be supported by the GfD legal adviser based in the CSC. During the period GfD advisers drafted a total of 116 CSC decisions to apply disciplinary penalties, 19 deliberations to respond to appeals requested by officials who were not satisfied with the disciplinary decisions and 136 dispatches for disciplinary proceedings.

#### **Risks – KEQ2**

While broader program risks are described in detail in the program's risk matrix in annex 4, there are a number of risks faced by GfD specifically in relation to strengthening public administration, including the following. Mitigation strategies are addressed in the recommendations that follow.

- Lack of capacity, resources or willingness to implement revised policies across line ministries and other government entities could impact on the pace of change within the civil service.
- Lack of clarity of respective roles and responsibilities between the CSC and MRLAP in relation to public administration reform could lead to confusion and conflicting messaging and approaches.
- Ad hoc approach to ICT investments could lead to poor decision-making, and expensive systems that are not fit-for-purpose.

#### **Recommendations – KEQ2**

- Continue to support CSC's increasingly consultative approach to public sector reforms and policy development.
- Continue to hold periodic discussions involving all GfD public administration advisers, including those based in the CSC, MRLAP and UPMA, and through this, support increased alignment between the three entities.
- Work with GoTL's central IT agency, TIC, in the relation to the placement of advisers who can support GoTL to implement sound ICT governance, strategy and decision-making.
- Consolidate adviser tasks to ensure they are mentoring and coaching, not just 'doing'.



Civil Service Commission seminar on disability inclusion in the public sector. Photo: Maria Nunes

## Economic Development

### KEQ 3 To what extent did GfD support development and implementation of evidence-based economic policy?

**Overall progress rating: Some delay**

#### Context<sup>3</sup>

Progress in relation to the development and implementation of evidence-based economic policy has continued to be challenged by political instability and the absence of a Minister for Coordination of Economic Affairs (MCAE). Further, the ongoing influence of former resistance leaders, who do not hold a formal role but continue to wield significant political influence has continued to impact significantly on decisions in relation to economic development and policy. As a result, GfD's Project Manager for economic engagement was unable to be placed in MCAE, and progress in this area has been slower than anticipated. In response to this, GfD opportunistically engaged with MRLAP, and through this has continued work in relation to economic development and strengthening the business enabling environment, albeit at a slower pace than anticipated. GfD has also engaged with the Prime Minister since the early days of his term, providing him with a wealth of resources to support sound economic decision making, and a national economic adviser based within his office.

A further result of the political instability was a delay in approval of the budget for 2019, which impacted negatively on economic growth, with GDP declining for the second consecutive year in the 12 months to April 2019.<sup>4</sup> Economic development continues, however, to be critical to the future of Timor-Leste, and an important area of support from GfD. The Program of the VIII Constitutional Government places significant emphasis on economic development, and in particular on agriculture, oil and mineral reserves (including development of the South Coast), and tourism. The World Bank report predicts a positive outlook for 2019, with GDP forecast to grow by 3.9 per cent. However, the recent purchase of the Greater Sunrise offshore

<sup>3</sup> Note that Risks and Recommendations in relation to Economic Development are covered for key evaluation questions 3, 4 and 5 at the end KEQ5

<sup>4</sup> Moving beyond Uncertainty: World Bank Timor-Leste Economic Report April 2019

gas fields from ConocoPhillips, drawing on funds from the Petroleum Fund, illustrates the continued economic reliance on these finite natural resources, increasing risks for fiscal sustainability and limiting investment of funds in other sectors of potential economic growth such as agriculture. While the rhetoric of economic diversification is strong, there is little political appetite to resource or implement diversification policies. While progress with respect to implementation of GoTL's policy frameworks in the oil and gas sector has been quite strong, little progress has been made in relation to the non-oil sectors.

A recent review of Australia's support for private sector development in Timor-Leste<sup>5</sup> found that Australia's programs have good coverage of the private sector landscape. The programs are responsive and adaptable which, while a strength, can also lead to a lack of focus and overall strategy. The review also noted that while significant progress has been made in relation to policy development, policy implementation remains a challenge, with inadequate GoTL commitment to and resourcing of policy roll-out. Recommendations in relation to GfD's support for the business enabling environment are described in the next section, but at a broader level the review recommended that the Australian Government should make public its strategy to support strengthening of the private sector in Timor-Leste and should support the establishment of a private sector development working group that brings together key actors with a role to play in strengthening Timor-Leste's private sector. With respect to the latter recommendation, the Embassy agreed to commence the process with a working group for Australian Government-funded programs working in this area.

## Overview of activities

In spite of this challenging context, GfD has:

- Continued support for MRLAP to ensure continuity of economic reforms through the changeover from VII to VIII government including, for example, prioritisation of laws on secured transactions, mediation and arbitration, although the planned timeframes for passing and implementing the laws have been significantly delayed.
- Continued a program of development and dissemination of economic papers by Monash University, which have been cited by the prime minister and other ministers in discussions in relation to the economic development of the country.
- Continued to provide economic advice to support evidence-based decision-making at the highest political level through the placement of an economic development policy adviser in OPM.
- Supported the collection and analysis of and reporting on labour market information through an adviser based in SEFOPE's Directorate of Information Management.
- Continued to strengthen technical as well as management and leadership capacity within National Directorate of Statistics (GDS), in particular in relation to the collection, analysis and dissemination of economic data (GDP, Business Activity Survey, Consumer Price Index and, more recently manufacturing sector Producer Price Index).
- Established a working group involving all Australian Government-funded programs that contribute to the development of the private sector in Timor-Leste and made significant contributions to Australia's Private Sector Development Strategy.

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<sup>5</sup> Review of Australia's contribution to private sector development in Timor-Leste, DFAT, November 2018

### SQ 3.1 To what extent did GfD contribute to economic evidence, data and advice being accessible and used by decision makers? (IO1)

In spite of the difficult political circumstances that prevail, there is evidence that economic analysis and data produced by GfD advisers is being used by decision-makers to inform policy discussions. Through a GfD grant agreement, Monash University continued a program of development and dissemination of economic papers, including on internet connectivity and coffee production, which were considered in policy discussions at the highest level of government. For example, the Monash report *Speed Matters: The Case for An International Cable Internet Connection for Timor-Leste*, was used by the director of TIC to brief the prime minister on internet connectivity issues.

GfD advisers also supported the provision of rigorous economic evidence and data, as well as encouraging decision-makers to demand and utilise economic data in developing policy and making decisions. GfD's adviser to OPM contributed to the production of policy briefings and analysis that have been used to inform decision-making at the highest levels, for example recent research on tariff policies, and reported an increase in demand for evidence and economic data to support sound decision-making. The GfD labour market information adviser in the Secretariat of State for Vocational Training and Employment supported collection, analysis of and reporting on labour market information, including the Labour Market Outlook and Hospitality Survey Report, that should inform decisions by both training facilities and the private sector in relation to labour force availability to meet future needs.

Due to internal politics, there has been no clear pathway for a GfD adviser to take up an in-line position in MAF as anticipated. As a result, finalisation of the Instrumentu ba Programasaun Agrikola (IPA) economic modelling tool has been put on hold, with no clear pathway for ownership / use by GoTL. GfD will continue to pursue the relationship with MAF and hopes to identify opportunities to strengthen engagement over coming months.

With the GfD-funded support of the Australian Bureau of Statistics (ABS), some long-awaited major macroeconomic statistics were made available to the public by the GDS during the reporting period, with the results of the 2017 Business Activity Survey as well as 2017 GDP figures being made available in March 2019. While this is behind schedule, it is anticipated that the 2018 Business Activity Survey results will be available by November 2019, and GDP figures by December which, if achieved, will amount to a three month improvement on timeframes for release of this years' data. Improvements in GDS capacity have also been evidenced by the assumption of full responsibility by GDS during the period for production of Consumer Price Index estimates, which are made available every month, and publishing of a Producer Price Index for the manufacturing sector, with the accommodation and construction sectors to follow.

The development of the GDS Strategic Plan is under development but has experienced some delays due to the pressures of producing key economic data, and will be progressed in upcoming ABS visits.

Desired Changes 2018/19	
GfD prepares handover to new government and makes GoTL aware of existing policies and frameworks.	●
The agricultural planning and economic modelling tool (IPA) is used by decision makers within MAF/MoF/GDS and other key economic policy agencies to improve at least one area of agriculture policy.	●
Key decision makers use reports developed by GfD economic advisers.	●
Key decision makers use Monash University's reports (internet connectivity and putting economics into TL's development story).	●
Data on key census and surveys are available to the public	●
GDS Strategic plan updated and operationalised.	●

### SQ 3.2 To what extent is there evidence of strengthened government commitment, leadership and co-ordination in relation to economic policy? (IO2, IMO4, IO7)



The inclusion of economic policy reforms commenced under the previous Government in the VIII Constitutional Government's Program evidences the current government's willingness to support continuation of earlier forms. However, although there is good technical level coordination occurring, the continuing political complexity and lack of appointments to key ministerial positions have hampered leadership in some key areas, which impacts on overall government performance as well as on economic activity and foreign investment. GoTL economic diversification strategies continue to lack political momentum for implementation.

Desired Changes 2018/19	
VIII Government utilises and builds upon economic diversification strategies and reform plans produced under VI government.	
Initial coordination mechanism established to explore avenues for supporting GoTL (private sector working group)	

GfD engagement in the agricultural sector, a key sector in the country's economic growth strategy, has also been stymied, with delays in approval of the MAF Organic Law providing some explanation for the inability to engage with the ministry. GfD plans to provide assistance for much-needed development partner coordination in relation to agriculture but is still awaiting the support of the Minister for the placement of an Adviser into this role. Technical cooperation continues, however, with GfD advisers actively participating in and contributing to several economic inter-ministerial working groups (agriculture and fisheries development partners, SDGs, Association of Southeast Asian Nations (ASEAN)). GfD has taken a lead role in the establishment of a private sector development working group for Australian-funded programs to strengthen linkages between programs and ensure a cohesive approach to these issues.

### SQ 3.3 To what extent has GfD supported women's empowerment and social inclusion in economic development? (Promotion of gender equality and inclusion)

The November 2018 Private Sector Development Review noted the significance of GfD's support for Gender Responsive Budgeting in encouraging GoTL to promote women's participation and empowerment. GfD's gender adviser continued to support implementation of Gender Responsive Budgeting during the period as discussed above under KEQ1 (PFM). However, the review also noted that while Gender Responsive Budgeting has now been rolled out across all line ministries, it is still in its early stages and will require consistent support to engender sustainable commitment by GoTL to services that promote women's economic empowerment, equality and participation in the private sector.

Desired Changes 2018/19	
Gender sensitive questionnaires are included in the agriculture census	
Disability inclusion is included in Government priorities, especially in the Maubisse declaration	

Economic evidence and data produced by GfD advisers is increasingly disaggregated by gender, for example, the Hospitality Survey Report, produced by Secretariat of State for Vocational Training and Employment with support from GfD in April 2019. ABS is continuing to work with GDS to ensure that gender-disaggregated data is reported in the Business Activity Survey and gathered through the upcoming Agriculture Census, which is now expected to be conducted in late 2019, with results expected by mid-2020. ABS has also worked with the GfD gender adviser, Christian Blind Mission and RHTO (a local disabled persons organisation) to develop a proposal for inclusion of Washington Group Questions on disability in the 2020 population census in order to support SDG monitoring and CSC disability mapping. ABS has taken this proposal to GDS, with the general director agreeing to their inclusion in the census, which is scheduled for June 2020.



## KEQ 4 To what extent did GfD contribute to strengthening the business enabling environment?

**Overall progress rating: Some delay**

### Context

Timor-Leste's position in the World Bank ranking of 'ease of doing business'<sup>6</sup> remained at 178 out of 190 countries in 2018. Starting a business was rated as slightly easier than in 2017, largely due to a lower requirement for capital investment, but registering property, accessing credit, enforcement of contracts, dealing with construction permits, and resolving insolvency remained significant impediments to the establishment of new businesses. While questions have been raised about whether the factors considered in the rankings are the most critical in relation to business establishment in Timor-Leste, it is nonetheless clear that bureaucratic processes and poor legal frameworks inhibit the creation of new businesses, both small and large, and therefore economic development and diversification. The Program of the VIII Constitutional Government recognises the importance of establishing an accessible and responsive financial sector to support business investment, and the establishment of MRLAP provides an opportunity to progress legislation and policy to underpin significant strengthening of the business enabling environment.

The Australian Government's recent Private Sector Development Review recognised the value of GfD's opportunistic and adaptive approach to strengthening the business enabling environment, and that GfD has been a key driving force for progression of a wide range of business-enabling laws, both in terms of strengthening policy and improving government services that support private sector development. However, the review also noted that even when policy and regulatory frameworks have been developed, it is rare for their practical implementation to have progressed to a degree that benefits business. The review recommended that all policy reforms should include an implementation plan, with policy roll out supported by cost-benefit analyses, facilitation of a broad-based coalition for policy change, and government-led implementation plans that address budget needs, systems development, staffing, training, and monitoring and evaluation.

### Overview of activities

The placement of legal and economic advisers within MRLAP puts GfD in a strong position to support reforms to strengthen the business enabling environment. In the last six months GfD has:

- Continued to work on business enabling legislation through advisers within MRLAP.
- Continued to make progress in relation to the establishment of mobile banking, digital financial services and agri-finance products through funding provided to International Finance Corporation (IFC), in partnership with Kaebauk Investimentu No Finanssa (KIF). New mobile banking and agri-finance products are expected to be launched in the coming months.
- Through funding provided to the Asian Development Bank (ADB), progressed corporate governance reforms in Banco Nacional de Comércio de Timor-Leste (BNCTL), including the passing of a Decree law to establish an independent three-member board for the bank. The Decree Law is anticipated to be promulgated in the coming weeks, and GfD is now providing support for the establishment of sound corporate governance systems and processes as the foundation for strong and effective governance of the bank.
- Continued work with SERVE in relation to mapping of business licensing requirements, through grant funding to the IFC, to be complemented in May with the appointment of a full time GfD adviser within SERVE.
- Continued capacity building work within TradeInvest, which is now focusing on development of a new TradeInvest website, and of a Customer Relationship Management system to enable TradeInvest to manage and track interactions with potential business investors.

Note that a limited number of 'desired changes' or targets were included in the GfD Monitoring, Evaluation and Learning Framework for 2018/19 in relation to strengthening the business enabling environment. This

<sup>6</sup> <http://www.doingbusiness.org/en/data/exploreeconomies/timor-leste>



will be addressed for 2019/20, with relevant targets developed in consultation with the economic development team.

#### **SQ 4.1 To what extent is there evidence of improved leadership and coordination on business enabling environment? (IO3, IO7)**

Without an economic coordinating minister, overall leadership on business enabling environment reforms is lacking, although some coordination on institutional reforms has been driven by MRLAP. Given the political uncertainty, no targets were set for this sub-question this financial year. The focus for next financial year will be on establishment of a SERVE working group with line ministries on business licensing.

During the reporting period MRLAP established relationships with key institutions to improve coordination and strengthen business licensing processes. Furthermore, a GfD adviser led the development of a legislative and judiciary policy resolution which defines MRLAP's mandate. This has been approved by Council of Ministers and includes interventions to strengthen the business enabling environment. GfD advisers will increase their focus on strengthening the business enabling environment, and coordination among key players, in coming months.

#### **SQ 4.2 To what extent has GfD supported improved law and policy that strengthens the business enabling environment? (EOP01)**

No GfD target was set for this sub question for this financial year, given the recent establishment of MRLAP. Momentum on reforms is expected to gather during the next financial year, with a number of targets being developed that flow from the recently developed 2019 Legislative Action Plan.

However, GfD has been advocating for adoption of Better Regulation Principles in the policy and law-making processes of GoTL, and for the approval of key missing legal frameworks, such as an insolvency law, an arbitration law and a secured transactions framework. Approved and pending business enabling laws supported by GfD have been included in MRLAP's legislative planning for 2019. A Business Enabling Environment (BEE) Concept Note was also prepared by GfD economic advisers to inform the strategic development of the BEE pillar of the Public Administration Reform Program that will be presented to Council of Ministers within coming months. A GfD adviser organised the participation of a delegation from Timor-Leste in an international arbitration conference, comprised of four lawyers, including two MRLAP legal advisers (one GfD). The adviser is also arranging for a visit from expert consultants from ADB to visit Timor-Leste in June.

The impending appointment of a GfD adviser in SERVE, the central GoTL entity responsible for business licensing, coupled with ongoing technical support provided through a grant to IFC, mean that significant progress is anticipated over the next reporting period in relation to a more coordinated and streamlined approach to business licensing.

#### **SQ 4.3 To what extent is the business regulatory environment strengthened (laws, policies and systems being implemented)? (EOP02)**

Progress on the business licensing component of the GfD-funded IFC project has been slower than expected. Reporting of evidence in relation to progress is exacerbated by IFC reporting cycles, which mean that there is a four month delay in IFC reports, and information is currently only available up to the end of 2018. In May GfD will be appointing a full-time national adviser to work within SERVE which is expected to enhance progress on the streamlining of business licensing processes over the coming reporting period. Work has commenced on a stocktake of existing business licensing requirements across GoTL, and will be completed under the leadership of the IFC team with support from the GfD adviser.

IFC's work in TradeInvest has also progressed at a slower pace than anticipated, but is expected to gain momentum in coming months, with a refresh of the TradeInvest website, and development of a Customer

##### **Desired Changes 2018/19**

Improved business licensing services (IFC project).



Relationship Management system to enable TradeInvest to track and manage information in relation to current and potential investors.

In light of the delays in the progress of the IFC projects, a decision was taken to delay payment of the IFC's most recent tranche payment until stronger results can be demonstrated.

Implementation of other reforms previously supported by GfD continues to be a challenge, an example of which are the commercial company laws (Law 10/2017, of 17 May 2017) passed in 2017. A GfD offer to provide support for implementing regulations and training of SERVE staff was declined by MECAE due to their expectation that other support would be forthcoming for this. GfD's understanding is that this agreement was never concluded, leaving SERVE without technical support in implementing the legislation, and as a result, there are increasing reports of errors and incorrect advice being given to business people.

#### **SQ 4.4 To what extent did GfD support financial institutions to improve accessibility to financial services? (IO4)**

BNCTL is under pressure from Government, the Central Bank and the private sector to improve its performance and competitiveness, with an anticipated flow on to the economy as a whole. In February 2019 the Council of Ministers approved a new decree law and by-laws to strengthen and modernise the corporate governance of BNCTL. Adopting a standard corporate governance structure is expected to boost the efficiency of the bank and its capacity to finance growth by becoming a reliable commercial bank. The laws incorporate all GfD legal and corporate governance recommendations. A short-term GfD adviser provided initial support for transitional work that will resume after the appointment of the new Board.

These appointments have been slower than expected due to delays in promulgation of the Decree Law, which is now anticipated in early June. During the period, GfD advisers in MRLAP supported coordination between with MoF and BNCTL to improve access to financial services.

Progress on the GfD-funded IFC mobile banking project with KIF has been slower than expected and also suffers from the IFC reporting delay noted above. It is expected that launch of the new mobile banking and agri-finance products, and evidence of these being accessed by previous non-bankers, will be reported in the next reporting period.

##### **Desired Changes 2018/19**

500 previous non-bankers accessing KIF mobile bank service



Decree law and new articles of association are passed by the council of minister, enabling BNCTL to operate as regulated commercial bank



#### **KEQ 5 To what extent did GfD contribute to supporting an aviation sector that meets the needs of a growing economy?**

**Overall progress rating: On track**

##### **Context**

Aviation is critical to the development of Timor-Leste's economy and its participation in bilateral, regional and global political, cultural and social affairs. A lack of regular flights from accessible destinations at a reasonable cost is a significant deterrent to business development, and in particular development of Timor-Leste's emerging tourism sector. The situation has worsened in the past six months, with withdrawal of the weekly Silk Air flight from Singapore, and a significant increase in the cost of flights to and from Denpasar. Darwin and Denpasar are currently the only two destinations in and out of Dili, and both routes are expensive. A new bi-weekly route operated by Transnusa to Kupang, Indonesia is due to start operating on 14 June. GoTL is exploring a range of further options, including possible Air Services Agreements with a number of countries, and partnership arrangements between Air Timor (a tour operator) and a number of airlines in the region.

The GoTL formerly assigned responsibility for all civil aviation matters to the Ministry of Public Works, Transport and Communications (now the Ministry of Transport and Communications, MTC). Through

reforms introduced in 2005, a government-owned, commercially-oriented airport entity, Administração de Aeroportos e Navegação Aérea de Timor-Leste (ANATL), was established, as well as what was supposed to be an independent aviation regulator, Autoridade da Aviação Civil de Timor-Leste (AACTL). However, AACTL remained part of MTC until 2018 when, with strong support from GfD, it began to function as an independent entity, with its own board and operating budget. GfD's primary engagement in the aviation sector is with AACTL, whose core mission is to act independently as a competent safety and security oversight authority which ensures at least minimum compliance with international standards set by the International Civil Aviation Organisation (ICAO). Following an initial safety audit by ICAO in 2010 a corrective action plan was pursued. Now AACTL's work program is addressing a range of safety and security-related areas identified in the audit process so that it can reach at least the minimum 'level of effective implementation' as set in ICAO's Global Aviation Safety Plan. ICAO will conduct another audit in 2020 and a plan has been prepared to address the ICAO protocol questions that will inform the outcome of the audit. ICAO publishes the headline results of its audits and there are consequences for poor performance. Certainly, it becomes more difficult to retain and attract regular air services when it becomes apparent that a state is unable to provide a safe and secure aviation system.

With strong support from GfD, the government established AACTL as an independent entity with its own board and budget at the start of 2019. This step alone has put safety and security oversight on a stronger foundation, and GfD's aviation advisers continue to provide valuable advice on equipping the organisation with resources required to fulfil its functions. In turn, AACTL has responsibility for regulatory oversight of the work of ANATL. The main focus of GfD's work is on supporting AACTL to implement the National Aviation Policy, which was prepared in 2016–2017 by an inter-ministerial working group with strong support from GfD, especially in the policy's highest priority area – safety and security. This includes preparing for the ICAO audit, which entails ensuring that AACTL has the appropriate legislation, manuals and guidelines in place, as well as the capacity to follow them, and update them as necessary.

Regarding other elements of the policy, GfD is mindful of the importance of aviation as an enabler of tourism to drive economic development. Accordingly, GfD continues to engage with relevant partners such as TAF, USAID, and the Market Development Facility in relation to the critical linkage between the aviation and tourism sectors. GfD also employs an economic sector liaison adviser who provides support for evidence-based decision making to both AACTL and the Ministry of Transport and Communications (MTC).

Politics continue, however, to impact on evidence-based decision making in the sector, both in the Ministry as well as within AACTL. Ministerial decisions continue to be very political, neglecting technical notes or advice that might come from GfD advisers. AACTL continues to be heavily influenced by the Minister to respond to issues outside the mandate of the regulator. The GfD advisers have been working to empower the Board and strengthen the Authority as an institution but it will still take time to build the trust required for GfD's evidence-based advice to be heeded. The disbanding of the inter-ministerial working group on aviation and the vacant ministerial positions in key portfolios has impacted significantly on policy implementation.

Furthermore, there continues to be low motivation to achieve results. Despite the board having been in office for more than three months with a separate budget, the ministry still retains effective control over the budget. Merit-based recruitment to fill various vacant positions, ensuring people fulfil their responsibilities, and coordinating the efforts of various directorates to achieve results still require further work. Simple activities, such as communicating the 100-day plan for the new board, as well as having a running communication channel such as Facebook to promote their activities, have not been implemented, but could help the authority claim their good works and hear demands from the public for better performance.

## Overview of activities

With support and advocacy from GfD, including two national advisers and three international short term advisers, AACTL is managed by a newly appointed board of directors, and as of January 2019, has its own budget. Over the past six months, GfD has:

- Worked with AACTL to establish a '100 days' plan for the new board and 'half year' action plan that guides AACTL's work towards the ICAO audit.
- Supported AACTL to successfully advocate for a delay to the ICAO audit, and continued to support preparations, including the development of appropriate legislation, guidelines and manuals.
- Worked with AACTL to propose the adherence of Timor-Leste to fundamental international Conventions regarding Aviation security.
- Developed decree Laws on Airport Certification and Accident and Investigation, which are expected to be approved by Council of Ministers in coming months.
- Progressed the development of a procedure for enforcement of penalties for contravention of aviation laws, which are otherwise without legal basis, and on a financing mechanism to allow ANATL income to be transferred to AACTL, an important step toward financial independence for AACTL.
- Provided technical advice and support to ANATL, including on issues relating to the certification of Dili and Suai airports, and Dili airport infrastructure development.
- Helped the authority to establish a library that maintains records of relevant legislation, regulation and licenses, a pre-condition for a successful ICAO audit.
- Produced briefing papers that provided evidence to support MTC's decision making on a range of issues in relation to public demand for transport issues, including on tariffs, ticket prices, the pros and cons and possible models for establishment of a national airline and accident / incident investigations.
- Continued to build the capacity of AACTL board members and staff to understand their role, and their ability to access, follow and update relevant guidelines and manuals
- Facilitated discussions between AACTL and the CSC to help AACTL understand the importance of and process for merit-based recruitment and selection processes.
- Brokered relationships with potential partner organisations in Australia, including the Civil Aviation Safety Authority, the Australian Transport Safety Bureau and the Australian Bureau of Meteorology. A GfD-funded study tour for key representatives of AACTL to meet with these stakeholders, as well as observe best practice in relation to aviation safety and security, is planned for July 2019.
- Provided a factual analysis of recent reductions in services and steep increases in the cost of air travel on the route to Denpasar and an evaluation of the risk this poses for implementation of the National Civil Aviation Policy.

#### **SQ 5.1 To what extent has there been improved laws and policies supporting aviation sector development? (EOP01, IO2)**

GfD advisers have focused on both the development of key laws as well as on strengthening AACTL to carry out its role in developing aviation policies and laws. During the period Decree Laws were drafted on Airport Certification and Accident Investigation, although the laws are still awaiting approval by the Council of Ministers.

As a result of GfD providing mentoring and advice to the president of AACTL on implementation of the National Civil Aviation Policy, participation in ICAO meetings, and guidance on evaluation of policy options, there is now increased understanding within AACTL of its role, although distractions remain, with the president of AACTL being drawn into a range of issues outside AACTL's mandate.

GfD's ongoing efforts to develop and maintain good working relationships with stakeholders in the tourism sector have making it possible to inform debates about air transport accessibility, air fares and airline ventures, as well as aviation infrastructure. The outcome is a more focused policy orientation, which provides the foundation for greater coordination, particularly following the recent approval by the Council of Ministers to create an inter-ministerial commission for tourism development. While it has taken longer than anticipated to be established, this new commission will pave the way for a more integrated approach to decision making in relation to the aviation sector.

Desired Changes 2018/19	
Airport certification decree law developed	
Accident and investigation decree law developed	
Evidence provided to support decision-making around flight costs and availability	
Inclusive policy development (involving tourism etc)	

GfD advisory support also led to development of a training policy for AACTL, an ICAO requirement, and to a commitment by AACTL to develop a highly skilled and qualified work force through a comprehensive training program. AACTL has also committed to developing a state safety program which establishes a framework for implementation of an approach to safety management for all aviation service providers in Timor-Leste.

#### **SQ 5.2 To what extent do aviation authorities have strengthened institutional capacity to fulfil their mandate in civil aviation regulation? (IO4)**

The establishment of AACTL as an autonomous entity with its own budget was an important first step in building the organisation's capacity to fulfil its regulatory mandate. However, many positions remain unfilled, and there is still some way to go in relation to institutional capacity building, and in particular building the understanding of the newly-appointed Board of the specific regulatory role of the AACTL.

Future planned activities will include ongoing investment by the GfD advisers in knowledge transfer and capacity building, as well as a study tour to Australia, during which time key AACTL staff and board members will meet with the Civil Aviation Safety Authority and other agencies that could potentially become partners in supporting AACTL in its role. This knowledge transfer is becoming easier as more trust and stronger relationships are built between GfD and the AACTL board. Consistent support to and regular communication with the president of AACTL by the economic sector coordinator has built the confidence of the president and contributed to her having a positive perception of GfD and welcoming the placement of a new national legal adviser to the authority.

In the meantime, GfD's aviation advisers produced, reviewed and built AACTL's understanding of key regulations and manuals, such as revised standard manuals for aerodromes, and airport emergency plan for PNLIA, that are needed for the full functioning of AACTL and ANATL as public institutions and aviation regulators. They have also supported the preparation of documents for aerodrome certification, which will become an ICAO requirement for airport operation from 2020.

GfD's provision of briefing papers on topics such as tariffs, national airline and accident / incident investigations, has placed the ministry in a stronger position to respond to public pressure on topics such as the creation of national flag carrier.

##### **Desired Changes 2018/19**

AACTL established as autonomous agency (structure and budget)



#### **SQ 5.3 To what extent is aviation policy and law being implemented to strengthen safety in civil aviation? (EOPO2)**

It is a relatively new requirement that airports have a safety management system. ANATL requires continued support to understand the requirements and implement the system but has made some progress by establishing a safety committee including representation from all airport users to respond to safety concerns.

Implementation of other laws and policies is at an early stage and dependent upon the continued institutional strengthening of AACTL. The developments supported by GfD (approval of first budget, definition of roles and responsibilities inside the AACTL structure) constitute an initial push in the organisational development of AACTL and are expected to lead to AACTL filling vacant positions, enabling further progress on implementation of laws and policies.

##### **Desired Changes 2018/19**

ANATL improve safety management system



#### **Risks – KEQ3, 4 and 5**

While broader program risks are described in detail in the program's risk matrix in annex 4, there are a number of risks faced by GfD specifically in relation to strengthening economic development, as outlined below. Mitigation strategies are addressed in the recommendations that follow.



- Lack of relevant GoTL counterpart makes it more challenging for GfD to engage in relation to economic policy, and slows the progress of policy development and implementation.
- Ongoing influence of “shadow” decision makers, who do not hold a formal role within government, but who continue to influence economic policy decision-making.
- Continued focus on and investment in the oil and gas sector limits incentives for GoTL to engage in relation to broader economic diversification and policy reform.
- Informal licensing processes and vested interests make it challenging to reduce red tape in relation to business licensing.
- Lack of capacity or engagement within AACTL could compromise Timor-Leste’s ability to satisfy ICAO that it is competent to oversee the aviation sector, resulting in a low rating for effective implementation of ICAO standards.
- Lack of coordination within the public administration and a lack of understanding of the importance of having a technically competent regulator, fully independent from the entities it supervises and political influence, could inhibit effective implementation of the National Civil Aviation Policy, with MTC accountable for policy, AACTL for regulatory oversight, and ANATL for operating a commercially oriented airport.
- Political and economic imperatives of MTC (e.g. ticket prices, airline agreements) could distract AACTL from their core business of regulating safety and security of the aviation sector in Timor-Leste.

### **Recommendations – KEQ3, 4 and 5**

- Consider a more targeted focus on improving the business regulatory environment, with less emphasis on providing resources/support to update broad economic diversification policies that are not currently receiving strong political support.
- Leverage the Oxfam grant partnership to strengthen and build coalitions for change on specific economic policy issues.
- Disseminate Monash University papers and other GfD-produced economic evidence on the importance of sectors other than oil and gas, and work with Monash to develop an appropriate research program for the coming financial year.
- Continue to support discussion through the Policy Leaders Group on the importance of economic diversification.
- Facilitate discussions between GfD’s adviser in SERVE, IFC and MRLAP in relation to streamlining of business licensing.
- Closely monitor performance of the IFC grant.
- Take a lead role in coordination of a private sector working group across Australian Government-funded programs.
- Consider how to support evidence-based decision-making around infrastructure development.
- Facilitate linkages between AACTL and Australian entities that could support AACTL in its regulatory role.
- Continue to focus advisory support in the aviation sector on internal capacity building as well as development of regulations and policy required to pass the ICAO audit.

## **Working in Partnership**

### **KEQ 6 How strategic is GfD’s engagement with partners?**

#### **Context**

GfD works within the context of a range of partners, including GoTL, grant partners, other Australian Government-funded programs / implementing partners, other development partners, and civil society organisations. GoTL have made it clear that coordination among donors and development partners is essential, in particular in relation to PFM reforms, where there is a risk of a divergence of views compromising GoTL’s ability to stay on track to make coordinated, targeted progress. In particular the World Bank is working with the Ministry of Finance on an alternative ‘roadmap’ for PFM reform. Other areas in which the development space is quite ‘crowded’ included decentralisation, where the European

Union and United Nations Development Program (UNDP) play an active role as well as the Australian Government-funded Village Development and Municipal Strengthening Program, and economic development, where a number of stakeholders are active in relation to specific economic development initiatives, including tourism programs supported by USAID and TAF, market systems development initiatives supported by the Australian Government-funded Market Development Facility, and agriculture programs funded by Australia (TOMAK) and USAID (Avansa Agrikultura). While central GoTL coordination mechanisms for development partners exist, many of them have been inactive for some time, including the Timor-Leste Development Partners Meeting (see section below on Development Partners).

This is particularly important given the current political situation, and the challenges of working with a coalition government that is in opposition to the president. Politics underpin all GoTL decisions, and GfD needs to be aware of, but not captured by, this. Consideration of establishing a high level governance board involving key GoTL stakeholders and others has been put on hold for the time being, given the risk of such a board being captured by political interests. The current model of regular (annual or biannual) review and planning workshops (as well as more regular coordination by sector/workstream in smaller groups) involving GoTL counterparts, development partners, grant partners, other implementing partners and civil society is at this point in time deemed to be a more appropriate option for engaging with partners in relation to GfD's strategic direction.

GfD also recognises the importance of ensuring that a wide range of voices are heard in the development and implementation of government policy, and has a cross-cutting theme of supporting 'other voices in policy development', by both supporting local CSOs' direction (Fundasaun Mahein (FM), and Judicial System Monitoring Programme (JSMP)), as well as identifying opportunities to support the engagement of 'other voices' in the policy development process, such as through the Hadalan project that was designed during this reporting period and will be implemented through Oxfam over the coming two years.

## Overview of activities

GfD has approached its engagement with a wide range of partners through a number of varied and fit-for-purpose activities:

- Regular review and planning workshops involving all key stakeholders, held at least annually.
- Regular informal meetings with GoTL counterparts to discuss emerging issues and priorities.
- Review of GfD's annual work plan by key central agencies (OPM and MoF)
- Embassy-led donor coordination across work areas relevant to GfD.
- Establishment and coordination of working groups involving other Australian Government-funded programs in areas of collective interest, including the decentralisation working group, ICT working group, and private sector development working group.
- Regular engagement with grant partners to discuss progress and priorities, and to identify relevant linkages with other areas of GfD.
- Coordination of the agriculture and fisheries development partners working group, which involves a range of development partners with an interest in the agriculture and fisheries sector.
- Regular formal and informal meetings with other development partners on a sectoral basis, as well as covering specific issues (e.g. OECD presentation to development partners on their review of progress against the Budgetary Governance Roadmap).
- Specific capacity building for local CSOs (e.g. training in fraud and risk management for JSMP, support for preparation and management of budgets for FM and JSMP)
- Dialogue with Oxfam which has led to submission of an application for funding for Hadalan, a project to increase the influence of other voices in relation to agriculture and economic diversification

## Grant partners

A significant portion of GfD is directed through arrangements with grant partners – approximately 43 per cent of total GfD funding in 2018/19. These arrangements allow GfD to leverage third party expertise in the pursuit of GfD outcomes, and contribute to outcomes within the GfD Theory of Change by:

- harnessing specific technical expertise

- supporting other voices to engage in policy debate and stimulate demand for good governance.

GfD grant partners are selected on the basis of their technical expertise, strategic fit with GfD's priorities, and their ability to engage with GoTL and civil society in Timor-Leste. The current suite of grant partners includes those with specific financial, economic or other relevant technical expertise (ADB, IFC, OECD, Monash, ADB), CSOs (JSMP, FM), and international NGOs that support strengthening of the development of policy leadership and the involvement of other voices in policy debate (TAF, International Republican Institute).

During the reporting period GfD has sought to actively strengthen its relationships with all grant partners through regular engagement and dialogue, to enable closer monitoring of their work, and to identify synergies across other areas of the GfD program. GfD is increasingly capitalising on the value of close engagement between grant partner organisations and GfD advisers, such as OECD support for development of the GoTL Budgetary Governance Roadmap combined with GfD advisory support to implement key PFM initiatives. As noted above, the placement of a GfD adviser in SERVE is expected to enhance the value of the IFC project on business licensing as well as linking in with GfD advisers in MRLAP. As a further example, ABS is now talking to GfD inclusion advisers in relation to including gender and disability questions in the upcoming agriculture and population censuses and is in discussion with the IFC in relation to the establishment of a business register. GoTL has also emphasised the value of organisation-to-organisation partnerships such as the relationship between ABS and GDS.

### Grant partners providing specific technical expertise

A few examples where grant partners are providing specific technical expertise to support evidence-based decision making and implementation include the following:

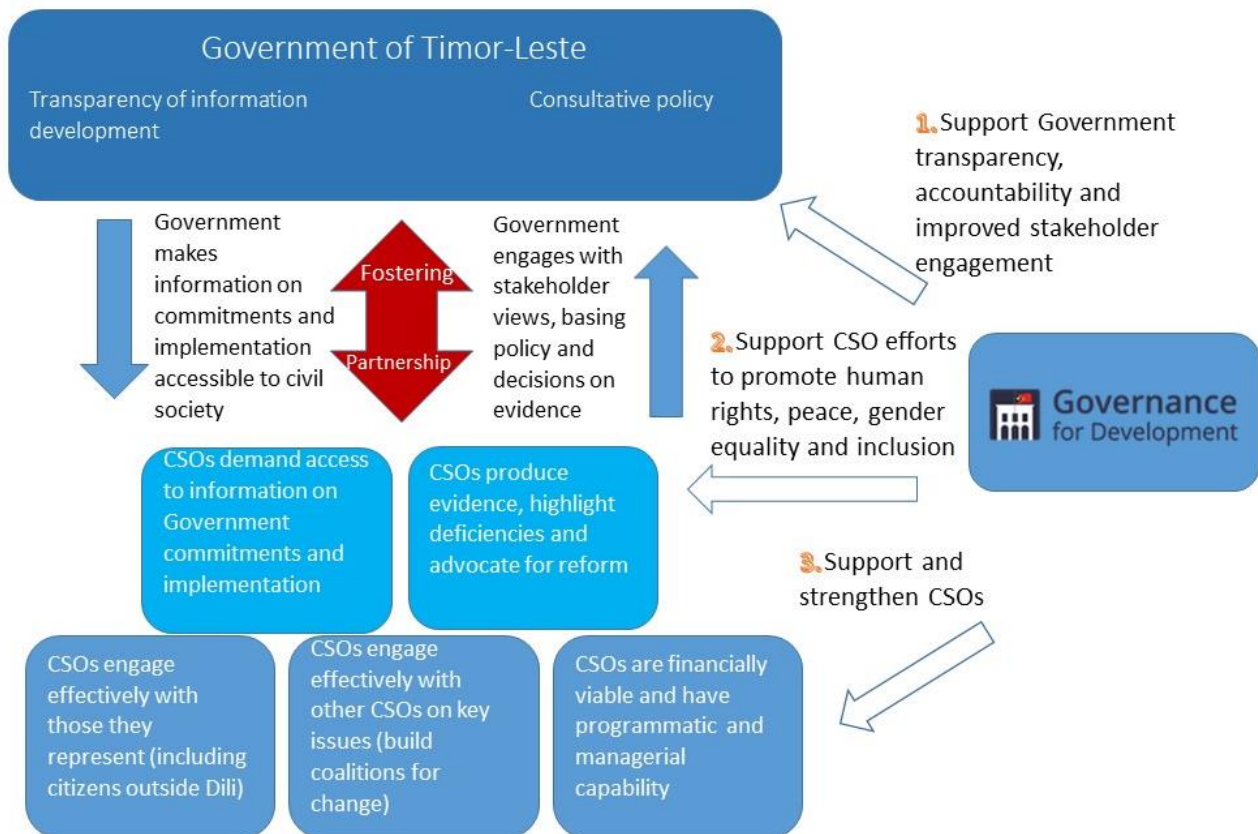
- An institutional partnership arrangement between GDS and **ABS**, which commenced in November 2010, is supporting strengthened statistical capacity, particularly in relation to collection, analysis and dissemination of economic data. As outlined in the OECD review report, this arrangement will become increasingly relevant to PFM reforms as ministries seek statistical data to inform design of programs and to assess contribution toward the SDGs.
- **OECD** continues to be engaged in reviewing and updating the Budgetary Governance Roadmap, which it developed through GfD funding in 2016. OECD's independence and expertise are fundamental to the legitimacy of the reforms, which as a result are driven and owned by GoTL.
- **IFC's** specific expertise is supporting investment promotion, implementation of the private investment law and technical advice on business licensing reforms. Through GfD funding IFC is also partnering with KIF to develop new mobile banking and agri-finance products.
- Through a grant agreement with **ADB**, GfD is supporting activities that increase access and use of financial services through improved operational capacity and financial performance of BNCTL, and other activities to strengthen development of the private sector.
- In addition, GfD continues to partner with **Monash University** to add to the body of high quality economic research and evidence that can be used by decision-makers in developing sound, evidence-based economic policy.

The contributions from these arrangements are captured in the work area sections above.

### Grant partners supporting the ability of other voices in public policy to advocate for improved governance and services (Immediate Outcome 3)

Civil society plays an important role in providing evidence and advice that can be used by decision-makers, and in demanding accountability from government. GfD funds a selection of CSOs to strengthen their advocacy efforts, and to enable them to produce high quality research products that draw attention to government performance. Importantly, GfD also seeks to support and strengthen the operation of CSOs, recognising that financial, programmatic and managerial capability will be fundamental to the sustainability of these organisations into the future. The figure below provides a diagrammatic representation of GfD's engagement strategy with CSOs, and highlights the primary aims of GfD support.

Figure 1 GfD'S engagement with civil society organisations



During the reporting period GfD's CSO grant arrangements contributed to GfD outcomes both by stimulating demand for transparency and accountability from government, and by producing important evidence for decision-makers in the following ways.

With GfD support **JSMP** continued to undertake monitoring of National Parliament and legal proceedings. While less monitoring sessions were conducted than anticipated (many meetings were cancelled because quorum was not reached) JSMP still plays an important role in holding the parliament to account. JSMP has continued its focus on civic engagement, undertaking workshops with community leaders to build knowledge of the formal justice system. It has also continued its advocacy efforts, including appearing before Parliamentary Committee A to advocate for key inclusions in the draft Anti-Corruption legislation that is in its final stage of discussion, and expected to be approved by Parliament by the end of the year. After JSMP advocacy for prioritisation of funding to mobile courts over a number of years, the National Parliament has in 2019 approved a budget for mobile courts, a step toward improved access to justice in for those in remote areas.

**FM** undertook a media-campaign to publicise the results of its research, generate public discussion and to push for reform in policing and security services. This included television appearances discussing the ban on Martial Arts Groups, as well as views on policing reforms in the wake of the Kulu-Hun shooting in November. FM produced a range of research products during the period: three research pieces and 10 blog posts. It also completed an evaluation of the Oficial Policia Suku (OPS) program in six districts and presented its findings to top National Police commanders. Its recommendations were considered by the prime minister who as a result called on the Minister of Defence to reconsider allocation of OPS. During the period FM has purposefully broadened its focus to issues of gender and social inclusion.

**TAF** continued to utilise its Policy Leaders Group, established in 2014, to facilitate policy debate and a culture of using evidence in decision-making. Policy Leaders Group contributed to building not only the technical ability of participants, but also management and leadership capacity, including understanding of

coalition building, and monitoring and learning from implementation. Policy Leaders Group convened two seminars during the reporting period, one focused on preconditions for nutrition, and one on plastic waste. The seminars provided both fully-established as well as newly-formed organisations with a platform to have their voices heard by policy makers and others. For example, the Zero Plastic seminar brought together youths working in the environmental sector, together with educational institutions such as UNTL and also well-established organisations such as HASATIL to discuss their views and recommendations on the government's Zero plastic policy with the Secretary of State of the Environment. Following the seminar, the Secretary of State requested that the Foundation and Policy Leaders Group support further research on household waste. The Foundation also completed analysis of the results of its 2018 Tatoli! Survey during the period. 2018 Tatoli! results were presented to various government institutions to inform stakeholders about public perceptions of Government priorities and to highlight the key needs identified by the community, and a summary of Tatoli! findings was also shared with members of Policy Leaders Group and the Australian Embassy. The final report is anticipated for release in July 2019.

Through its Next-Gen Project the **International Republican Institute** is currently working with 25 young leaders from eight different political parties to strengthen their knowledge in areas of public policy research and conflict resolution through seminars and workshops. The GfD grant to International Republican Institute is for a seven-month period, concluding in mid-July 2019, and aims to build a cohort of future leaders that understand evidence-based policy-making and advocate for improved governance and service delivery. Participants are currently working in cross-party groups to undertake policy projects, the outcomes of which will be included in the next progress report.

## Government of Timor-Leste

GfD's core partnerships are its close engagement and trusted relationships with GoTL counterparts. Interviews conducted recently with key government and GfD stakeholders as input into a case study on GfD's approach<sup>7</sup> repeatedly indicated that GfD was able to navigate and maintain relationships during periods of change and uncertainty. This was due to in large part to the role of locally engaged advisers, including the DFAT work area coordinators, who are able to utilise their own long-standing relationships to gain access to, and build trusting partnerships with, key GoTL stakeholders. GfD has utilised these relationships not only to enable constructive support for GoTL reforms, but also to provide continuity of reform efforts across changes in government, by ensuring that incoming governments are provided with data, analysis and advice from a variety of credible sources. A senior GoTL counterpart identified that changes in government are one of the hardest things for a senior bureaucrat to contend with, as it takes time to raise awareness on the importance of reform and then secure a commitment to that reform: GfD has demonstrated its role in supporting this, such as through its support for the establishment of MRLAP.

GfD's engagement with GoTL partners happens at both formal and informal levels. Formal review and planning sessions (most recent one held on 28 May) provide a forum for GoTL counterparts to outline their priorities for the coming months, and the areas in which they would benefit from GfD support. Informal engagement between GfD and counterparts enables discussion of emerging priorities and troubleshooting of issues. Furthermore, regular communication between Embassy work area coordinators, GfD national staff, and government stakeholders is invaluable in maintaining positive relationships, and a network of current and potential future counterparts. Feedback from government counterparts at the recent review and reflection workshop indicated that counterparts particularly value:

- The ability of GfD to attract high quality candidates who bring not only the required skill and knowledge but also perceived political independence.
- The way GfD is responsive to agency needs and priorities and works collaboratively to select suitable candidates.
- The flexibility of the program, and in particular the value-add where GfD advisers work together with GfD grant-funded support.

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<sup>7</sup> Governance for Development in Timor-Leste: the unseen successes of a partnership approach to governance reforms, Bu Wilson, 2019 (Case Study developed for Cardno International Development)



- The way GfD uses predominantly national advisers, while noting the importance of drawing selectively on international adviser expertise where necessary.
- The way GfD advisers facilitate consultation and stakeholder collaboration.

However, they noted the importance of supporting entities to reduce reliance on short-term advisory inputs for routine legislative amendments to ensure the sustainability / currency of reforms over time, as well as the need for ongoing dialogue in relation to advisers' responsibilities/ commitments to the GfD program outside of their work in their ministry (participation in GfD M&E sessions, training etc).

## Development partners

At the recent reflection and planning workshop, GoTL stakeholders reinforced the importance of coordination among development partners. MoF is responsible for overall GoTL coordination of donor support. Until mid-2016 they ran annual development partners meetings, as well as regular bilateral consultations with major partners. In recent years MoF coordination has dropped off and no meetings have been held. During this reporting period GfD Embassy staff successfully advocated for the reinstatement of these MoF-led annual development partner meetings and offered support for MoF's Development Partnership Management Unit to reinstate whole of government coordination. While the latter has not been taken up, the annual development partners meeting are expected to start again in coming months.

Beyond the MoF-led meetings, formal donor coordination mechanisms are run on a sectoral basis. These mechanisms vary in model and effectiveness, and include the following.

**Agriculture:** led by MAF with support from Australia. The main achievement in the reporting period was the decision by DFAT and European Union, achieved with the assistance of GfD facilitation, to resume DP coordination meetings after a seven-month hiatus. The GfD stakeholder engagement adviser plays a key role in ensuring that this coordination group meets regularly and operates effectively. Two meetings were held during the reporting period, one informal agriculture and fisheries development partners meeting held on 12 March 2019 chaired by DFAT, and one formal meeting on 4 April 2019 chaired by the European Union. These two meetings set the scene for future success of future coordination efforts, with a subsequent meeting scheduled for June. An example of positive outcomes relates to a discussion around the importance and difficulty of youth inclusion in agriculture programs and projects. A presentation by USAID's Avansa Agrikultura and subsequent Q&A session on how they engage youth in their project provided really practical, and easy-to-follow recommendations which were insightful for other development partners struggling with this issue.

**Tourism:** New Zealand supports the Ministry of Tourism to run quarterly tourism sector coordination meetings, in which GfD Embassy staff participate. During the reporting period GfD contributed data on the program's activities to an overall tourism stocktake document, to support harmonisation of efforts.

**Governance:** UNDP leads governance sector coordination. Meetings are usually held quarterly, and focused on a particular theme. Government speakers are invited on an ad hoc basis according to the theme, which limits consistent engagement with GoTL stakeholders who are core to strengthening governance. Nevertheless, this is a useful forum for information sharing and harmonisation of efforts between donors. During this reporting period GfD Embassy staff participated in one meeting which, with influence from GfD, focused on fiscal reform. GfD also successfully advocated for a broader range of GoTL stakeholders to be invited to the meeting, including UPMA and MoF. Embassy GfD staff also used the forum to discuss and harmonise donor approaches to decentralisation support, particularly between Australia, European Union and UNDP. Given the central importance of this forum, GfD is advocating for it to be held more regularly.

**Economic sector and PFM:** Led by the World Bank. GfD continues to push actively for this group to become more effective, and has advocated for more regular coordination meetings, and for adoption of a more collaborative approach between World Bank and Australia. For PFM reforms to progress it is essential that development partners speak with one voice and lend their support to a single PFM reform roadmap, bringing together respective recommendations of OECD (funded by GfD) and PEFA (funded by the World Bank). GfD has also advocated to MoF and UPMA for the new inter-ministerial council on PFM and fiscal reform to include a development partners sub-committee, ensuring that donors report directly on their

work and are accountable to the broader commission, and giving scope for development partners to have a voice at the PFM policy making table. Documentation in relation to the Council suggests that this proposal has been accepted, but this will be confirmed when the first meeting is held. The establishment of such a sub-committee would be a major step forward for PFM donor harmonisation.

Outside the formal World Bank coordination mechanism, GfD has stepped up the frequency of informal coordination on PFM issues with the European Union, ADB and Institute Camoes, which has significantly improved harmonisation of approaches between these partners. GfD has also engaged bilaterally with the Millennium Challenge Corporation (MCC) on the PFM aspects of their new support package for Timor-Leste and influenced the design to ensure alignment with GoTL's Budgetary Governance Roadmap. The program has facilitated consultations and information sharing between the OECD and PEFA technical teams, to try to align the two processes as much as possible, and facilitated consultation across development partners during the OECD review process, ensuring adequate time and opportunity for development partners to peer review and comment on the OECD report. In relation to economic policy, the GfD MRLAP advisers played a significant role in influencing the design of the MCC's new business enabling environment project, and ensuring that project complements Australian support. Their work will now focus on enforcement of commercial contracts and strengthening the civil law jurisdiction, which takes forward recommendations that were made in a recent GfD-funded report by JSMP on civil law strengthening.

**Aviation:** While there is currently no formal mechanism for coordination across the aviation sector specifically, aviation is considered under the tourism sector donor coordination group described above. Informally, GfD has taken a lead role in terms of informal coordination to harmonise efforts between USAID/Tourism for All, JICA, IFC and Australia. As interest in the aviation sector and its importance to the future economic development of the country increases, it is likely that a more formal coordination mechanism specific to aviation may be established.

## Other Australian Government programs

GfD has continued to take a lead role in coordinating discussion across other Australian Government-funded programs in specific thematic areas:

- The **decentralisation working group** has met four times during the period to discuss different issues of interest across programs, including HR in public administration at the municipal level, municipal level and PNDS budgeting, rural roads, and a case study on decentralisation in Cambodia. The working group has provided a forum to identify areas of common interest, information-sharing, and joint problem-solving. UNDP has been invited to attend the next meeting, to progress discussion on coordination between UNDP and Australian Government-funded support for decentralisation. GfD has also been liaising closely with the Village Development and Municipal Strengthening Program in relation to advisory support within MSA for the decentralisation process. With the PNDS Support Program undergoing a strategic shift, discussions are underway in relation to the respective roles of the two programs in this space, with agreement that at this point the Counsellor for Human Development will be the focal point for engagement with MSA, but working in close consultation with GfD.
- In response to recommendations from the Private Sector Development Review, in May GfD will coordinate the first **private sector working group**. The first meeting will map out respective contributions of programs to private sector development, overlaps, and opportunities for collaboration. A particular project going forward will be to consider how to best support improved GoTL-led mechanisms for consultation with the private sector on economic issues. In addition to Australian programs, the working group will invite other donors for particular themed discussions and collaboration.
- In April GfD convened the first **ICT working group**, in recognition of widespread calls across from GoTL for programs to provide support for the development and implementation of government ICT systems, and the need for a more coordinated and strategic approach. GfD is in the process of undertaking a mapping of the Government ICT systems in which Australian-funded programs are currently or likely to be involved, and will convene a second working group in June, at which the Executive Director of TIC will present the GoTL ICT Strategy.

At a less formal level, GfD engages on a bilateral basis with other Australian-funded programs, including Market Development Facility in relation to private sector development, and in particular development of the tourism industry, the Workforce Development Program in relation to GfD's work in Secretariat of State for Vocational Training and Employment on Labour Market Information Systems, and with the Partnership for Human Development (PHD) in relation to work on disability. There is scope for further engagement, particularly with PHD, which will be explored further as both GfD and PHD's strategic review progress.

### **Risks – KEQ6**

While broader program risks are described in detail in the program's Risk Matrix in annex 4, there are a number of risks faced by GfD specifically in relation to engagement with partners, including the following. Mitigation strategies are addressed in the recommendations that follow.

- A multiplicity of donors, particularly in relation to PFM, and progress of the decentralisation agenda, could overwhelm GoTL and compromise progress on important reforms unless there is adequate coordination and agreement on a consistent approach.
- Lack of clear, consistent, evidence-based reporting processes for grant partners could compromise GfD's ability to capture important achievements under the program.

### **Recommendations – KEQ6**

- Continue to strengthen relationships with key development partners in each of GfD's reform areas, and meet with them regularly, both formally and informally.
- Support GoTL to maintain strong donor coordination mechanisms in specific areas, and in particular the MoF-led annual development partner meeting.
- Support dialogue and coordination across partners at a range of levels, including within GfD, across Australian Government-funded programs (in particular PHD, Partisipa and MDF), and with other development partners, and continue to coordinate specific working groups for programs under the Australian aid program.
- Maintain strong relationships with grant partners through regular dialogue, providing them with a clear reporting structure, and identifying opportunities for / facilitating synergies across other areas of the GfD program.
- Support CSOs to strengthen their engagement with policy development processes and look for opportunities to actively facilitate and build coalitions for change on specific reform issues.

## **Relevance, efficiency and sustainability**

### **KEQ 7 Is GfD using the right approach to maximise the long-term impact of the program?**

#### **Context**

Although not mentioned specifically in GfD's design, the program's approach is underpinned by the principles of thinking and working politically. The program positions itself as an effective partner by developing strong relationships with government counterparts and focusing on locally-led issues that are identified by GoTL stakeholders. By focusing on issues that matter to central agencies, GfD develops strong relationships with government counterparts. Strong partnerships lead to a deep understanding of context, which in turn lends itself to informed and targeted support.

The original GfD design was not prescriptive about how reform should be achieved, provided it was 'politically possible and technically appropriate', also recognising the fluid and changing context in Timor-Leste, and the need for GfD to be flexible and adaptive. The mechanisms to facilitate flexibility and iteration have included working on multiple areas of focus, mixed modalities of delivery, and a regular participatory review and redesign processes. It was always intended that the GfD program would adapt and respond to its environment while maintaining the philosophical foundations of the program and its focus on PFM, public administration and economic development. The program has continued to benefit from a mixed

modality approach, with the inclusion of additional partners along the way. This has provided GoTL with a greater range of valued technical advice and increased the opportunities for other voices in public policy. Through providing core funding to CSOs a contribution is being made to improved long-term relationships between civil society and government.

Given the focus on relationships and collaboration, the lack of political stability over the past two years has proved challenging for GfD. However, the program's adaptive approach enabled it to use its strong networks and relationships to identify opportunities for support within this changing context, such as the placement of advisers within MRLAP when it became clear that engagement with MCAE would be challenging in the absence of a Minister. Both formal and informal Political Economy Analysis (PEA) have informed GfD's decision-making in relation to when, how and with whom to engage. Furthermore, regular meetings between the Embassy, Cardno, and key GoTL counterparts provide opportunities to discuss changing priorities and needs and identify where a change in approach may be appropriate, a new area of support required, or additional support needed, such as the emerging focus on ICT governance and strategy.

One of the rarely explored links is how thinking and working politically supports the achievement of value for money in development programming. Achieving value for money is rightly a key preoccupation of both governments and donors. Arguably one of the most notable ways that GfD builds value is through building the foundations for GoTL to apply value for money in its own governance systems and approaches by supporting increased effectiveness, efficiency (in particular through evidence based decision making), ethics (through supporting systems that promote accountability and transparency) and sustainability (in particular through support for local leadership) of GoTL's own governance.

Furthermore, in terms of internal program management, GfD's approach has evolved to achieve increased efficiencies. Under the original design, implementation was led directly by a team of Embassy staff, headed up by a DFAT program director, with implementation support provided by Cardno. At the start of 2019, the Cardno position of director of operations was replaced by the position of team leader, whose role includes a much greater level of strategic engagement and input into program decision-making, taking some of the pressure off the Embassy team, and leading to increased efficiencies in how the program is managed.

The upcoming strategic review will provide a timely opportunity for in depth reflection on GfD's focus, approach and structure.

## Overview of activities

GfD's primary support to GoTL is through people, through a combination of direct advisory support and grant partners. While a traditional governance program provides an international resource to complete a task, GfD leverages existing resources within government and supports local counterparts to lead change processes. Over the reporting period:

- Approximately 57 per cent of activity budget was spent on direct adviser support, and 43 per cent on grant partners.
- 77 per cent of long term advisers were national Timorese staff, and 23 per cent international, complemented by a suite of short term technical advisers to provide specific technical expertise, such as in the aviation sector.
- Progress has been made in the development of Joint Work Strategies between GfD and key GoTL Counterparts, building on a strong PEA. These are expected to be completed in consultation with counterparts in the coming reporting period.
- Formal meetings were held on a regular basis with key government counterparts (UPMA, CSC, MRLAP) with more frequent ad hoc meetings between Embassy staff, Cardno, advisory staff, government counterparts and/or grant partners.
- Weekly meetings were held between the Embassy and Cardno to review context and progress, and identify emerging issues, new opportunities, or a need to change direction
- Key informant interviews were held with key GoTL counterparts in preparation for a GfD learning dialogue workshop. The key informant interviews sought feedback on both the areas in which GfD was working, as well as the GfD approach and their engagement with GoTL.

- Additional interviews were held with GoTL counterparts, Embassy staff, grant partners and GfD staff as input into a Cardno-developed case study on GfD's approach.
- An annual reflection and planning workshop involving one day with GoTL counterparts and one day with GfD's full range of partners was designed and scheduled to be held in May.
- Cardno drafted a case study on GfD's approach: Governance for Development in Timor-Leste: the unseen successes of a partnership approach to governance reforms.
- Identified new opportunities for GfD support, such as in relation to government ICT governance, strategy and policy.

## **Risks – KEQ7**

While broader program risks are described in detail in the program's Risk Matrix in annex 4, there are a number of risks faced by GfD specifically in relation to the program's approach, as follows. Mitigation strategies are addressed in the recommendations that follow.

- A responsive approach can lead to a lack of strategic or coherent focus, and a program that is spread too thin without a core underlying narrative.
- An approach based on relationships, trust and collaboration may be undermined by political change or changes in senior positions.
- Placement of a significant number of advisers in a single ministry could undermine the role of civil servants, and build dependency on outside assistance.

## **Recommendations – KEQ7**

- Test the joint work strategies that are currently under development against key priorities – the Strategic Development Plan and GfD's EOPOs, and ensure that they are developed on the basis of a sound PEA.
- Test any proposed new activity against the Joint Work Strategies, including an analysis of fit with other GfD activities, and implications for GfD resourcing.
- Continue to adopt a politically neutral stance in all interactions, and ensure that relationships are built across the political spectrum, regardless of who is in positions of influence at any single point in time
- Continue to engage a significant proportion of national advisers, and work with GoTL counterparts to identify ways to transition some of these advisers to in-line positions over time
- Ensure that adviser terms of reference have a specific technical focus, and are not replacing general administrative or operational roles that should be undertaken by civil servants and funded by GoTL
- Ensure that all terms of reference have a strong focus on capacity building and knowledge transfer

# **Program Resourcing**

## **Management systems**

### **Program governance**

GfD is managed through a 'one team' approach across Cardno and the Embassy. The model has evolved over time, with Cardno taking an increasing role in relation to program strategy, implementation and quality assurance. The majority of grants, with the exception of ADB and IFC, are now managed directly by Cardno, with Cardno engaging closely with grant partners in relation to planning, and program and financial reporting. The new model is operating well and continues to lead to efficiency gains.

The model has been supported by recent changes within the team's management structure. Following the resignation of the Director of Operations in late 2018, the position was re-designed as team leader and a new appointment made in early January. A second international position, program coordinator, was created and filled in late January, with a focus on M&E and strategic planning. There is scope to further review the structure of the overall team (see annex 2), under which all advisers currently report contractually to the team leader, placing a significant burden on a single individual in terms of human



resource management and performance management. This will be discussed with the Embassy during the next reporting period.

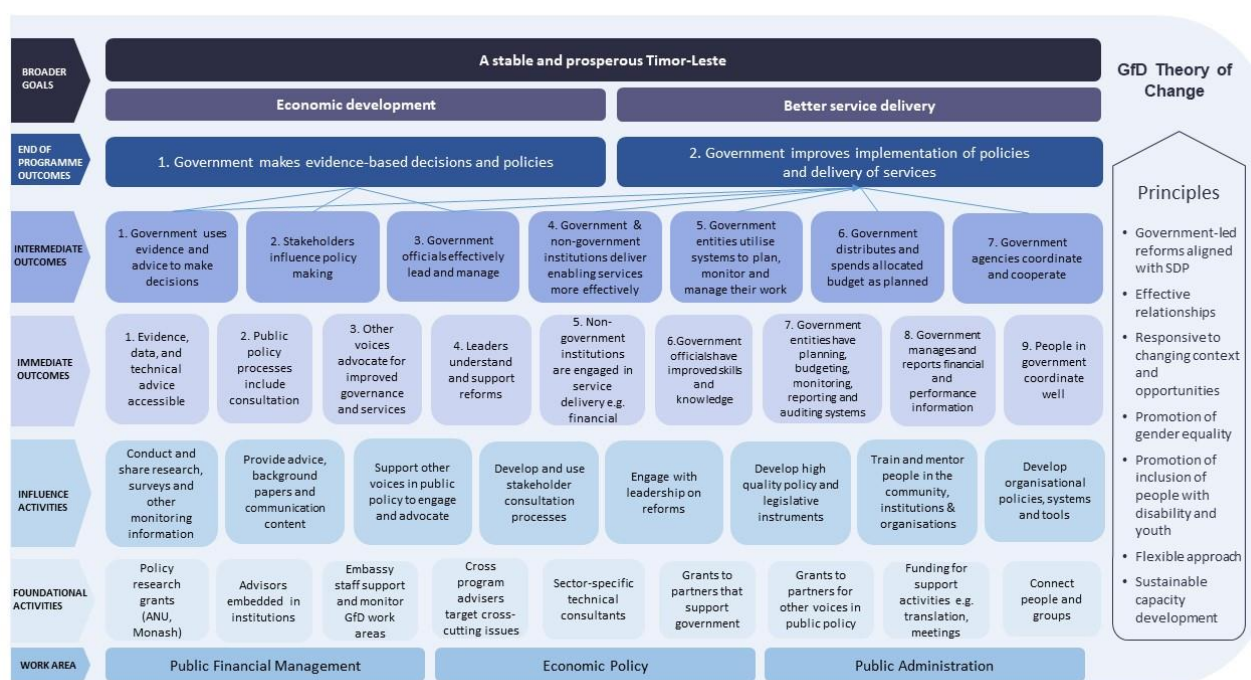
The Cardno team in Dili is supported by a Melbourne-based contractor representative, as well as a team of program staff (HR, finance, procurement, administration). The contractor representative visited Dili four times during the reporting period to provide advice and guidance in relation to program management, and to engage with the Embassy in relation to Cardno's management of the program. The program support officer, program manager, and Asia regional manager have also each made one visit to Dili during this six month period.

Decisions on program direction, strategy and resource allocation are jointly made by the Embassy and Cardno management team, who meet weekly to discuss program strategy and emerging issues, and fortnightly to discuss operational issues. GoTL representatives and other stakeholders are consulted but do not have a formal role in resource allocation decisions, as political tensions mean a formal process would be at significant risk of capture by political interests. GfD is, however, in the process of developing Joint Work Strategies for the key GoTL entities with which the program engages. The Joint Work Strategies will be agreed between GfD and GoTL counterparts, and will set out the purpose of the engagement, commitments from both GfD and GoTL (activities, resourcing) and anticipated outcomes. An annual reflection and planning workshop, planned for May, will provide a formal opportunity for GoTL and other stakeholder to provide input into GfD priorities for the coming 12 months. On the basis of the workshop and the Joint Work Strategies, a brief Annual Work Plan for GfD will be provided to MoF and OPM.

## **Monitoring and evaluation**

The GfD theory of change and Monitoring, Evaluation and Learning Framework were reviewed and refined during the period and the Monitoring, Evaluation and Learning Plan was updated accordingly. The refinements built on the substantive work undertaken in 2017/18, the main change being the adoption of a unified GfD theory of change (figure 2), which allows for holistic assessment of program performance against the two GfD EOPOs, as well as clearer messaging about the role of GfD in Timor-Leste. Theory of change diagrams for PFM, public administration and economic development were also developed, which include tailored foundational activities, influence activities and immediate outcomes for these work areas, while the intermediate outcomes and EOPOs remain consistent across all program areas. EOPO1 was amended slightly to make it more relevant, from 'Government makes better decisions and develops evidence-based policies' to 'Government makes evidence-based decisions and policies'.

Figure 2 Theory of change



Key evaluation questions focus on assessing progress in discrete reform areas, with sub questions assessing achievement of key intermediate or immediate level outcomes, as well as contributions to gender equality and social inclusion. The sub questions also interrogate how GfD has supported other voices to engage and advocate in relation to public policy development (list at annex 1).

GfD contributes to the Australian Development Cooperation Program Performance Assessment Framework through the following narrative indicators.

Table 1 Narrative indicators

Strategic Themes	Outcome	Performance Assessment Framework Indicator #	Narrative Indicator
Economy	More jobs and a stronger private sector	3	Instances of improved business environment
	Higher quality frontline services	8	Instances of improved systems for service delivery
People	More women and girls are safe and empowered	14	Instances of women's leadership opportunities and empowerment
	More people participate in decision-making	16	Instances of inclusive policy development
Society	Improved governance at sub-national level	19	Instances of improved sub-national governance
	Better decision-making and evidence-based policy	20	Instances of improved policy and implementation
		21	Instances of evidence available for decision makers

## Human resources, finance, occupational health and safety

### Human resources

GfD's HR systems have continued to demonstrate that they are fit for purpose. Recruitment for new staff takes place in a timely manner and feedback received from counterparts is that advisers are of high quality.

GoTL counterparts are always invited to participate in selection panels for in-line advisory positions. Terms of reference are developed by GfD, in consultation with GoTL counterparts, and are reviewed at the time of contract extensions. Annual performance management reviews are completed for each adviser with input from GoTL counterparts. There is scope for some fine-tuning of review and approval mechanisms between Cardno and the Embassy that will be considered in coming months.

There have been a number of staffing changes during this reporting period. In addition to the management changes noted above, the program has appointed additional 'floating' advisers, working on cross-cutting issues and deployable across different parts of government based on immediate needs, including two additional inclusion advisers (focusing on disability, and other voices). A further international adviser who was anticipated to be placed within MAF has taken on a cross-cutting role of stakeholder engagement, and support for private sector development, in the absence of successful engagement with MAF. Over the reporting period:

- 3 staff resigned or did not extend their contract and have been replaced
- 9 new positions were created and filled
- 1 position was discontinued.

A number of staff who are currently on fixed term contracts will move to open ended contracts over the coming twelve months (an entitlement under Timorese labour law after three years of continuous service). GfD will calculate the cost implications of this in terms of severance pay when the program comes to an end in June 2021, and will factor this into the program's final year budget.

## **Finance**

GfD's financial systems continue to be fit-for-purpose. A switch to ANZ bank's electronic 'Transactive' process in March has streamlined GfD's payment processes. GfD maintains a comprehensive Lifetime Budget (LTB) against which forecasts and expenditure are monitored, and reviewed and updated on a monthly basis. Regular budget discussions with the Embassy ensure that there are no surprises in the budget, and that joint decisions can be made around changes to funding allocations. GfD is on track to expend close to its original funding cap by the end of financial year, with a small adjustment being made to the cap in anticipation of a minor underspend as a result of one grant tranche payment (Fundasaun Mahein) not being made. A financial report for the reporting period is provided separately

## **Workplace health and safety**

GfD takes OH&S extremely seriously. The program has a security plan in place. All advisers are briefed on OH&S as part of their GfD induction and are sent a weekly security briefing. A member of the GfD operations team visits the workstation of all new advisers to ensure that they are ergonomically set up and not facing any undue risk in their workplace.

The program has adopted two new OH&S initiatives over the reporting period:

- Ad hoc OH&S audits of specific workplaces: where specific concerns have been raised about the safety of a specific work environment, a member of the operations team has visited to conduct an audit, using a Cardno OH&S checklist. Where concerns are identified, these are noted and discussed with the Embassy and with the GoTL counterpart, and a strategy for rectification developed.
- Establishment of a GfD security WhatsApp group. This includes all GfD staff, and is an efficient means of contacting all staff quickly to advise of any incident about which they should be aware.

## Advisory input

### Long-term advisers

As at 30 April 2019, GfD employed 37 long-term advisers.

Table 2 Long-term adviser inputs

	National		International		Total
	M	F	M	F	
In-line positions					
UPMA	8	2	1	1	12
CSC	4	1	2		7
OPM	1				1
MRLAP	1	2	1	1	5
MTC/AACTL	1	1			2
TradeInvest	1				1
ADB/BNCTL				1	1
Secretariat of State for Vocational Training and Employment	1				1
Cross-cutting positions					
Gender and Inclusion <sup>1</sup>	1	2			3
Governance <sup>2</sup>	1				1
Stakeholder engagement <sup>3</sup>				1	1
Communications and M&E	1	1			2
Total	20	9	4	4	37

- The senior gender adviser has a cross-cutting role, but splits her time across Secretary of State for Gender and Inclusion (three days) and UPMA (two days)
- The governance adviser is currently working with UPMA (three days per week) on the roll out of program budgeting to the municipalities
- This position is intended to be within MAF, but is currently cross-cutting, pending successful engagement with MAF on the in-line placement of the adviser

### Short-term advisory inputs

The long-term advisers were supported by a number of short-term technical inputs during the reporting period. These were mainly in the areas of PFM and aviation, with one short-term adviser being engaged to support the transition of BNCTL to its new corporate governance structure.

Table 3 Short-term advisory inputs

Position	Input days	Purpose of input
International aviation legal specialist	36.5	Provision of legal advice and implementation support to AACLT as it works towards achieving regulatory compliance and improved safety oversight, in preparation for 2020 ICAO audit.
International aviation technical specialist	31	Provision of advice and support to the new president of AACLT on regulatory and compliance matters and general aviation policy, and support ANATL with the certification process for Dili Aerodrome. Evaluation of infrastructure readiness and managerial competency for Suai and Oecusse aerodromes in preparation for certification processes.
International aviation specialist	5	Support the development of GfD's Aviation Sector Joint Work Plan, advise GfD, MTC and AACLT on strategic aviation issues, and support AACLT's ongoing institutional development work.

Position	Input days	Purpose of input
PFM Specialist standard operating procedures	48.5	Develop standard operating procedures and information fact sheets and material for the planning, monitoring and evaluation processes recently implemented through the PFM reform program.
PFM Specialist (program budgeting)	17	Support development of 2020 program budgeting structure for municipalities.
PFM Specialist (program budgeting)	27.5	Support finalisation of program budgeting structures and review Annual Action Plans for the 2019 budget.
BNCTL Transition Support Adviser	13	Provide advice and support to facilitate the transition to BNCTL's new corporate governance arrangements.
Private Sector Development Adviser	16	Support for establishment of new corporate governance arrangements in BNCTL (long-term adviser working on STA basis while on extended leave)
Monitoring, Evaluation and Learning Consultant	28	Support GfD to prepare evidence matrix and develop a high quality, evidence-based and outcome-focussed report that will set the standard for future program reporting
Program Coordinator	8.6	Transitional contract before engagement as LTA in January 2019

## Grants

The table overleaf summarises GfD grant partner arrangements in 2018/19 (the focus of these grants is discussed elsewhere in this report). Tranche payments were made during the reporting to FM, International Republican Institute, TAF and ABS.

**Table 4** Grant partner arrangements

Grant partner	Duration of grant	Focus
ADB	DFAT-managed	Strengthening of the financial sector, and in particular BNCTL
IFC	DFAT-managed	Strengthening of the business enabling environment, and in particular TradeInvest, business licensing (through SERVE), and the establishment of mobile banking in rural areas, in partnership with KIF
ABS	Multi year to June 2021	Strengthening of the ability of GDS to provide timely, accurate economic and other data
JSMP	Multi year to June 2020	Monitoring of Timor-Leste's judicial systems, and strengthening the understanding of civil society of the country's formal legal processes
FM	Multi year to June 2020	Monitoring of and advocacy in relation to security and policing systems
OECD	Single year x 3, to June 2021	Development of a draft of and monitoring of progress of the implementation of Timor-Leste's Budgetary Governance Roadmap
International Republican Institute	Six months to July 2019	Development of skills in policy development and debate of future political leaders
Monash	Multi year to June 2021	Economic research and analysis, and drafting of evidence-based papers on specific economic development topics
TAF	Multi year to June 2021	Supporting for brining other voices into the public policy debate, through the Policy Leaders Group and the Taitoli! survey

## Risk

The overarching risks pertaining to the program were reviewed and updated during June. During the period strengthened mitigation strategies were put in place for Workplace Health and Safety, with the current risk matrix is at annex 4.



## Learning and Management Response

The GfD program continues to evolve in response to changes in context and GoTL priorities. With an approach of iterative learning and adaptation, a number of lessons have emerged during the reporting period that will shape GfD's future work.

**The challenges of implementation:** GfD has made significantly more progress with respect to policy development (EOPO1) than policy implementation (EOPO2). To some extent this is an issue of sequential timing – policies need to be developed before they can be implemented, but the program has also identified a number of learnings that will influence how GfD approaches policy implementation across the remainder of the program.

- The way that policies and systems are developed influences how likely they are to be implemented. Ensuring that reforms are locally led by a high-level champion within government, establishing a broad-based coalition of support for the policy reform from both within and outside of government, and the adoption of an inclusive approach to policy development using evidence and publicly available data, are critical to successful policy implementation.
- Planning for implementation needs to start before the system or policy is even developed, and the process should be considered holistically rather than in discrete stages (e.g. policy development, followed by policy implementation). It is important to consider upfront how the reform will be implemented.
- Implementation of reforms at an incremental pace is more likely to result in sustainable change. The process needs to allow time to learn from and adapt the approach based on lessons from initial phases of implementation e.g. program budgeting reforms where implementation was broken down into three discreet phases over a period of five to seven years.
- Development partners need to factor adequate support and resources for implementation into program designs, with an eye on long term sustainability once the program ends.

**The importance of coordination:** Coordination across partners not only reduces the risk of conflicting approaches, mixed messaging and potential overload of the absorptive capacity of GoTL, but also opens opportunities for synergies between programs that enhance program outcomes.

- Regular communication across development partners is essential and needs to be both formal (e.g. formal working groups) and informal (e.g. bilateral meetings). A recent example of the need for communication is the emerging interest of tourism programs (USAID, TAF (funded by NZAID)) in the aviation sector. GfD is working with NZAID and USAID to establish a formal communication process, but increasing informal communication between GfD advisers and tourism-related programs has been critical in raising awareness of the complexity of issues in relation to aviation, and the importance of adopting an evidence-based and consistent approach and messaging.
- Coordination will only happen if there is clear leadership / ownership of coordination mechanisms. There is a need for a clear focal point who has the support and respect of all partners. This has emerged over the reporting period in particular in relation to the agriculture and fisheries development partners working group, for which for some time there were differing views about respective roles in coordinating the meetings, as well as in relation to PFM, for which donor coordination rests with the World Bank, but there have been no formal coordination meetings for some time.
- Coordination in relation to GfD's work needs to be supported at a number of levels:
  - between advisers working in different areas e.g. MRLAP, CSC and UPMA, to ensure that the rhetoric is aligned
  - between grant partners and advisers or other grant partners, such as in relation to the growing collaboration between the ABS and GfD's inclusion advisers
  - between Australian-funded programs, where there are significant opportunities for synergies, but also significant risks of overlap, such as in relation to the respective engagement with MSA by both GfD and PNDSSP
  - between development partners, such as through the agriculture and fisheries development partners working group

- Coordination can lead to significantly improved outcomes. For example, as a result of discussions between ABS and the GfD inclusion team, ABS has encouraged GDS to include Washington Group Questions in the Population Census questionnaire. Furthermore, emerging collaboration between GfD's aviation advisers and key tourism programs (TAF, USAID) is leading to greater understanding of and a more coordinated approach to strategies to improve flight accessibility to Timor-Leste.
- Lack of coordination compromises GoTL capacity to strengthen core systems. For example, recent debates around the best approach to PFM reform have consumed significant energy within GoTL. GoTL has clearly emphasised the need for a single approach to PFM reform, backed by all development partners. Similar issues are starting to emerge in relation to aviation as it becomes an increasingly important topic for GoTL, attracting significant media interest and therefore political capital.

**The impact of a challenging political environment:** With two elections in twelve months, and a coalition government in opposition to the party of the president, politics in Timor-Leste are fluid, and significantly influence decision making. Both senior appointments and decisions are frequently made on the basis of political imperatives rather than objective evidence. This complex political environment has underscored the importance of applying the principles of 'thinking and working politically'. Strategies employed by GfD include:

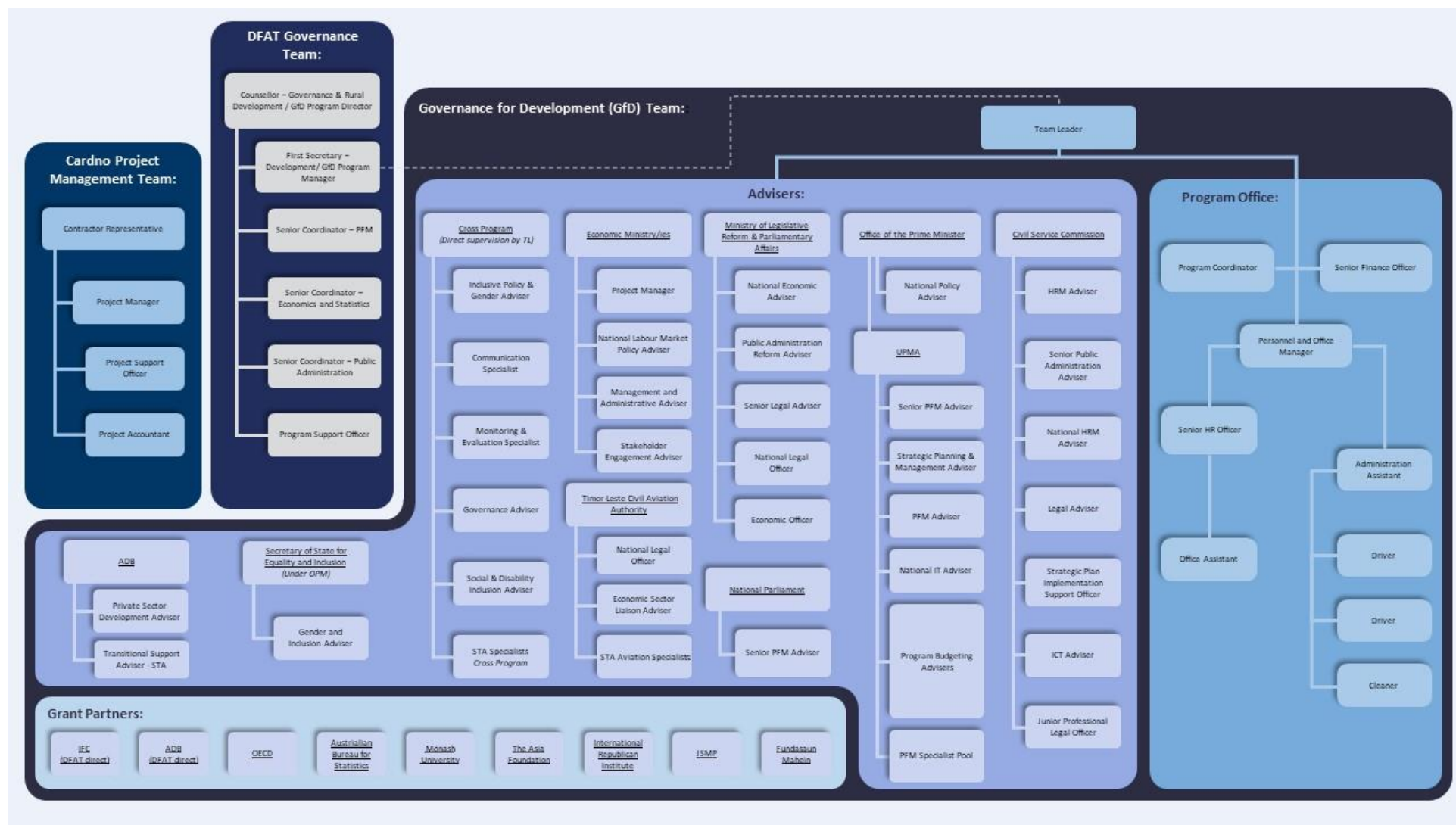
- Maintaining a politically-neutral broad base of networks rather than aligning to a small base of champions, whose power base may be eroded at short notice. This requires both formal (Embassy-led) engagement, and informal engagement. The recent Cardno case study on GfD's ways of working concluded that GfD's locally engaged advisers, as well as local Embassy work area coordinators, played an important role in steering GfD through political uncertainty, drawing on relationships and shared understandings to maintain progress on reforms even when issues arise in the bilateral relationship. GfD advisers are clearly briefed in selection and induction processes that as representatives of GfD they are expected to maintain a politically-neutral stance, and feedback from key stakeholder interviews suggest that their political neutrality and independence is valued by GoTL entities.
- Ingraining PEA in the work of GfD and ensuring that all investment decisions are made on the basis of a sound PEA. Consideration of any new activities needs to include a discussion of the political economy surrounding the investment. The work area coordinators are well placed to support targeted PEAs, which will also underpin development of all joint work strategies.
- Maintaining flexibility, and a willingness to capitalise on opportunities to circumvent blockages. For example, engagement with MRLAP, in the absence of MCAE, to enable progress of reforms in relation to economic development and the business enabling environment.

## Annex 1 Key Evaluation Questions and Sub Questions

Criteria	Key Evaluation Question	Sub Question
Effectiveness	KEQ 1. To what extent did GfD contribute to improved budgetary governance?	1.1. To what extent are relevant PFM laws and policies in place to support the improved budgetary governance system?
		1.2. To what extent is there improved government leadership, management and coordination on PFM?
		1.3. To what extent are improved PFM systems and processes being developed and implemented?
		1.4 To what extent are PFM policies, systems and processes more gender-responsive and socially inclusive?
		1.5 To what extent is budgetary and performance information accessible to decision makers, civil society and other stakeholders?
		1.6 What evidence is there that the improved budgetary governance system has contributed to improved service delivery outcomes (including gender and social inclusion programs)?
Effectiveness	KEQ 2. To what extent did GfD contribute to improved public administration?	2.1. To what extent has GfD supported evidence-based and inclusively developed public administration law and policy?
		2.2. To what extent is there improved leadership, management and coordination on public administration?
		2.3. To what extent have improved systems and tools been developed to effectively support public administration?
		2.4 To what extent have public administration policies and systems been resourced and implemented across government?
		2.5 To what extent is PA practice (systems and processes) more gender-responsive and socially inclusive?
		2.6 What evidence is there that improved public administration has resulted in improved efficiency and effectiveness of the civil service and / or government functions?
Effectiveness	KEQ 3. To what extent did GfD support development and implementation of evidence-based economic policy?	3.1. To what extent did GfD contribute to economic evidence, data and advice being accessible and use by decision makers?
		3.2. To what extent is there evidence of strengthened government commitment, leadership and co-ordination in relation to economic policy?
		3.3. To what extent has GfD supported women's empowerment and social inclusion in economic development?
Effectiveness	KEQ 4. To what extent did GfD contribute to strengthening the business enabling environment?	4.1. To what extent is there evidence of improved leadership and coordination on business enabling environment?
		4.2. To what extent has GfD supported improved law and policy that strengthens the business enabling environment?
		4.3. To what extent is the business regulatory environment strengthened (laws, policies and systems being implemented)?
		4.4. To what extent did GfD support financial institutions to improve accessibility to financial services?
Effectiveness	KEQ 5. To what extent did GfD contribute to supporting aviation sector development?	5.1. To what extent has there been improved laws and policies supporting aviation sector development?
		5.2. To what extent do aviation authorities have strengthened institutional capacity to fulfil their mandate in civil aviation regulation?

Criteria	Key Evaluation Question	Sub Question
		5.3. To what extent is aviation policy and law being implemented to strengthen safety in civil aviation?
Partnership	KEQ 6: How strategic is GfD's engagement with partners?	6.1. To what extent are GfD grant partners contributing towards the achievement of GfD outcomes?
		6.2. To what extent is GfD working with the right partners in the right way to enable sustainable improvements to governance?
		6.3. To what extent is the GfD way of working with government appropriate and harmonised with the work of other donors?
		6.4. To what extent is GfD enabling other Australian programs and other development partners to improve service delivery?
Relevance/ Model/Approach	KEQ 7: Is GfD using the right approach to maximise the long-term impact of the program?	7.1. To what extent is GfD working in the most relevant reform areas to improve and sustain economic development and service delivery?
		7.2. To what extent is GfD adaptive to evolving contexts and emerging opportunities?
		7.3. To what extent is GfD efficiently delivering the program?

## Annex 2 Organisation Chart





## Annex 3 Status of Management Recommendations

Recommendations	Responsibilities	Status
<b>Public Financial Management</b>		
<b>April 2019</b>		
Engage with counterparts within MoF and continue to discuss potential opportunities for placement of GfD advisers within the Ministry, including in relation to the development and implementation of the MTEF, which will constitute a significant foundational step in the transition from annual budgeting to medium-term budgeting and rolling forward estimates.	Embassy first secretary, PFM work area coordinator	
Continue to focus on “one Roadmap” which brings together and aligns OECD and PEFA recommendations and engage with other development partners on the importance of doing so.	Embassy first secretary, PFM work area coordinator, GfD Senior PFM Adviser	
Closely monitor the roll out of Program Budgeting to the municipalities, and provide advice to GoTL on the benefits of an incremental, staged approach with time to analyse and incorporate “lessons learned” at each stage.	PFM work area coordinator, GfD Program Budgeting Adviser	
Continue to work with line ministries to improve understanding of the annual planning template and support successful implementation of Gender Responsive Budgeting reforms.	GfD advisers	
Take a lead role in the coordination of other Australian Government-funded program in relation to the implementation of Gender Responsive Budgeting in Line Ministries and at the municipal level.	GfD Senior Gender Adviser and Program Budgeting Advisers	
Draw on learnings from Gender Responsive Budgeting with a view to considering how they might be applied to broader issues of socially-inclusive budgeting and climate-resilient budget.	GfD Gender and Inclusion Adviser, PFM work area coordinator	
Coordinate with Oxfam's Open the Books program to identify opportunities for strengthening financial and budgetary literacy of civil society and building coalitions for change in relation to PFM issues.	GfD Gender and Inclusion Adviser, PFM work area coordinator, PA work area coordinator	
<b>October 2018</b>		
Maintain strong relationships with key influential people and re-establish relationships with MoF.	Embassy first secretary, PFM work area coordinator, GfD advisers	Ongoing. In the absence of a Minister of Finance GfD is continuing discussion with the Vice-Minister and other key people within MoF. The program continues to maintain strong relationships with other GoTL counterparts and influencers.
Seek opportunities to support the new Inter-ministerial Council for Fiscal and PFM Reform	Embassy first secretary, PFM work area coordinator, GfD advisers	Ongoing. The mechanisms for the oversight of the Budgetary Governance Reform Roadmap and the updating of the roadmap, which will be presented to the PM after approval of the updated roadmap, will include a schedule of technical working groups and timeframes for presentation to the Inter-ministerial Council. This will assist in scheduling IM Council meetings and decisions on key PFM reform policies.
Support GoTL to ensure processes are fully institutionalised within government systems	GfD advisers	Ongoing. GfD is providing ongoing support to line ministries and other government entities to ensure program

Recommendations	Responsibilities	Status
		budgeting reforms are embedded. Going forward this will be tracked under KEQ SQ 1.3.
Support GoTL to implement any recommendations made by OECD following their review of the progress of implementation of the roadmap.	Embassy first secretary, GfD senior PFM adviser	Ongoing. Going forward this will be tracked under KEQ SQ 1.1.
Continue to work on incremental change that responds to demand and ensures local ownership in line with a consistent, longer term plan.	Embassy first secretary, PFM work area coordinator	Ongoing. GfD is engaging with GoTL to ensure planning and budgeting is locally owned, context relevant and consistent with longer-term GoTL objectives. Going forward this will be tracked under KEQ SQ 1.3.
Continue to support GoTL to improve use of performance reporting and feedback into budget discussions. This can be done by helping to implement systems, standard operating procedures and templates for reporting, budget planning, performance monitoring and review.	GfD senior PFM adviser, national program budgeting advisers, IT adviser, PFM work area coordinator	Ongoing. GfD has completed drafts of 23 standard operating procedures in relation to planning and budgeting. The ongoing developments to DBFTL will support improved use of performance reporting and feedback. Going forward this will be tracked under KEQ SQ 1.3.
Support UPMA to develop a workplan for 2019 that is aligned with the roadmap and shows GfD support requirements as well as the next stages of the reform and anticipated changes to policies, laws and systems.	GfD senior PFM adviser, GfD strategic planning and management adviser	Underway. A Joint Work Strategy is under development and due for completion July 2019.
Support implementation of program budgeting for municipalities upon delegation of competencies from service delivery line ministries.	GfD senior PFM adviser, national program budgeting adviser/s	Underway. Two GfD advisers are working with UPMA and MSA to support implementation of program budgeting to the municipalities.
Support program budgeting for the other three sovereign organs for the 2020 OJE.	GfD senior PFM adviser, GfD national program budgeting adviser/s	Underway. Program budgeting Phase III will include all municipalities, ZEEMS and special organs of state (23 entities).
Support grant partners and other voices in public policy to access and understand information in DBFTL and use for policy advocacy.	GfD senior PFM adviser, national program budgeting advisers, inclusive policy & gender adviser	Underway. DBFTL is being launched 10 June 2019 and will include a transparency portal. GfD will take steps to socialise this with GfD grant partners working with civil society.
Continue to support the implementation of gender-responsive budgeting for the 2020 OJE, taking note of lessons learned from the 2019 OJE process.	GfD gender adviser, GfD senior PFM adviser, GfD national program budgeting adviser/s	Underway. GfD gender adviser will continue to support implementation of Gender Responsive Budgeting for the 2020 Budget. Going forward this will be tracked under KEQ SQ 1.4.
Increase focus on supporting GoTL to better consider social inclusion through the state budget process.	GfD disability and inclusion adviser, GfD gender adviser, GfD inclusive policy & gender adviser	Underway. GfD will make available Disability Inclusive Development training to all GfD advisers in the next reporting period.
<b>Public Administration</b>		
<b>April 2019</b>		
Continue to support CSC's increasingly consultative approach to public sector reforms and policy development.	GfD's public administration advisers	
Continue to hold periodic discussions involving all GfD Public Administration advisers, including those based in the CSC, MRLAP and UPMA, and through this, support increased alignment between the three entities.	Embassy First Secretary, PA Work Area Coordinator, GfD Team Leader	

Recommendations	Responsibilities	Status
Work with GoTL's central IT agency, TIC, in the relation to the placement of advisers who can support GoTL to implement sound ICT governance, strategy and decision-making.	Embassy First Secretary, PA Work Area Coordinator, GfD Team Leader	
Consolidate adviser tasks to ensure they are mentoring and coaching, not just 'doing'.	GfD Team Leader	
<b>October 2018</b>		
Support OPM/MRLAP to establish an Inter-Ministerial Working Group or other body (national agency) for the reform and modernisation of Public Administration.	Embassy first secretary, public administration work area coordinator, public administration reform adviser, governance adviser	Public Administration Reform Plan to be presented to PM in July.
Support the Civil Service Commission president to build the Prime Minister's interest in, and endorsement of, the current suite of human resources management reforms through the Civil Service Commission; as well as supporting briefing the Prime Minister on more strategic public administration reforms, including the connection between PFM and Public Administration reforms.	Embassy first secretary, public administration work area coordinator, GfD advisers	To be continued in 2019/20 once the policies have been approved by the Council of Ministers.
Work with WDPTL to identify priority reforms to pilot mid-level capacity building approaches for civil servants, particularly focusing on support to development of skills in leadership and management to improve service delivery (recommended previously in GfD reports and also in the private sector development review report).	Program director, Embassy first secretary, public administration work area coordinator, WDPTL	To be progressed in 2019/20 now that future of WDPTL is clearer.
Support implementation of the WPD, once passed by the Council of Ministers.	Embassy first secretary, public administration work area coordinator, GfD advisers	To be presented to Council of Ministers early in 2019/20 financial year.
Continue to provide technical and management support to Civil Service Commission leadership in the implementation of both revised and new policy initiatives. This is central to pursuing the Public Administration Reform agenda.	Embassy first secretary, public administration work area coordinator, GfD advisers	To be continued in 2019/20 once policies have been approved by Council of Ministers
Continue to support Civil Service Commission to fully establish and operationalise the interface between PMIS and FMIS.	Embassy first secretary, public administration work area coordinator, GfD ICT adviser	Work almost complete, pending completion of technical interface by the two vendors
Continue to provide legal and non-discrimination advice to the Civil Service Commission in the promotion process in the forthcoming period during the policy implementation.	Public administration work area coordinator, GfD advisers	Promotion process designed, and to be implemented in July 2019
<b>Economic Policy</b>		
<b>April 2019</b>		
Consider a more targeted focus on improving the business regulatory environment, with less emphasis on providing resources/support to update broad economic diversification policies that are not currently receiving strong political support .	Embassy First Secretary, Economic Policy Work Area Coordinator, GfD Advisers	
Leverage the Oxfam grant partnership to strengthen and build coalitions for change on specific economic policy issues.	GfD Inclusive Policy and Gender Adviser, Public Administration Work Area Coordinator	
Disseminate Monash University papers on the importance of sectors other than oil and gas, and work with Monash to develop an appropriate program of research for the coming financial year.	Embassy First Secretary, Economic Policy Work Area Coordinator	

Recommendations	Responsibilities	Status
Continue to support discussion through the Policy Leaders Group (PLG) on the importance of economic diversification.	Embassy First Secretary, Economic Policy Work Area Coordinator, Embassy First Secretary Political	
Facilitate discussions between GfD's adviser in SERVE, IFC and MRLAP in relation to streamlining of business licensing.	Economic Policy Work Area Coordinator, GfD Team Leader	
Closely monitor performance of the IFC grant.	Embassy First Secretary, Economic Policy Work Area Coordinator, GfD Team Leader	
Take a lead role in coordination of a Private Sector Working Group across Australian Government-funded programs.	Embassy First Secretary, Economic Policy Work Area Coordinator, GfD Stakeholder Engagement Adviser	
Consider how to support evidence-based decision-making around infrastructure development.	Embassy First Secretary	
Facilitate linkages between AACTL and Australian entities that could support AACTL in its regulatory role.	Embassy Third Secretary Trade	
Continue to focus advisory support in the aviation sector on internal capacity building as well as development of the regulations and policy required to pass the ICAO audit.	Economic Policy Work Area Coordinator, GfD Team Leader, GfD Aviation Strategy Adviser	
<b>October 2018</b>		
Continue and extend regular economic policy and approach discussions among GfD advisers and development partners to improve quality and consistency of advice.	Embassy first secretary, economic policy work area coordinator	Ongoing. GfD is taking a lead role in coordination of the Private Sector Development Working Group for DFAT-funded programs, and GfD coordinates the Agriculture and Fisheries Development Partners (AFDP) Working Group, which involves development partners working in the sector. Going forward this will be tracked under KEQ SQ 6.3 and SQ 6.4.
Coordinate with IFC to support SERVE and provide technical assistance to improve government services in the area of business registration.	Embassy first secretary, economic policy work area coordinator, GfD economic project manager	Ongoing. GfD has recruited a national adviser to support SERVE and coordinate with IFC to streamline business registration. Going forward this will be tracked under KEQ SQ 4.3.
Continue to provide advice on 'better regulation' development and processes to government, including advice on how to keep policy and law development separate, and consider a standard approach to better regulation development for MRLAP.	Embassy first secretary, economic policy work area coordinator, GfD senior legal reform adviser	Complete. See comment under KEQ SQ 4.2.
Support progress to a better lending environment with secured transactions/collateral registry in place; and support commercial providers to develop good lending products.	Embassy first secretary, economic policy work area coordinator, GfD private sector development adviser	Ongoing through grants to IFC and ADB. Going forward this will be tracked under KEQ SQ 4.4.
Support AACTL to achieve International Civil Aviation Organization compliance.	Embassy first secretary, economic policy work area coordinator, GfD technical specialists	Underway. ICAO Audit will take place during 2020. Going forward this will be tracked under KEQ 5.
Support for civil aviation should be focused on implementation of the National Civil Aviation Policy, and the necessary engagement with new stakeholder representatives from the VIII CG, including	Embassy first secretary, economic policy work area coordinator	Underway. GfD continues to provide strategic advice to key stakeholders in relation to civil aviation. Going forward this will be tracked under KEQ 5.

Recommendations	Responsibilities	Status
members of the Council of Ministers and new ministers in MoF, Ministry of Public Works, MTC and Ministry of Tourism.		
Consider supporting further engagement between JICA, AACTL, and Airport and Air Navigation Authority of Timor-Leste on Dili terminal design for an improved outcome.	Embassy first secretary, economic policy work area coordinator	Complete. JICA and GoTL have signed an agreement and are working on the terminal design and development. GfD will continue to monitor.
Consider the draft private sector development review recommendation (as provided in the reviewer's presentation) that greater emphasis needs to be placed on ensuring policy reform includes a roadmap to ground reform; together with agreed, government led implementation plans; ongoing research to address evidence gaps; cost-benefit analysis; facilitation of a broad-based coalition for change for the policy; and monitoring capacity to ensure delivery in line with policy intent.	Embassy first secretary, economic policy work area coordinator, GfD advisers	Ongoing. GfD continues to work with MRLAP, grant partners and advisers in the office of the Prime Minister to strengthen evidence-based economic policy. Going forward this will be tracked under KEQ3.
Consider ways to further support autonomous agencies to develop their economic approach and to improve their effectiveness in delivering frontline services.	Embassy first secretary, economic policy work area coordinator, Senior PFM adviser	To be pursued in 2019/20
Explore opportunities for thematic advisers (including gender and social inclusion) to brief parliamentary committees.	Embassy first secretary, economic policy work area coordinator, GfD advisers	To be pursued in 2019/20
Continue to provide support to AACTL president in implementation of the Civil Aviation Policy.	Embassy first secretary, economic policy work area coordinator	Ongoing, through both short-term and long-term advisory support. Going forward this will be tracked under KEQ5.
The Embassy should seek to introduce the Development Partner Coordination adviser to MAF to enable better provision of support for economic development in agriculture.	Program director Second secretary (rural development)	On hold pending establishment of a relationship with MAF.
Strengthen support to women's economic empowerment, improved gender equality and social inclusion through policy development when MCAE is established and GfD is able to Engage. GfD has gender and inclusion resources available to support when opportunities open up.	Embassy first secretary, economic policy work area coordinator, GfD disability and inclusion adviser, GfD gender adviser, GfD inclusive policy and gender adviser	Ongoing. MCAE has not yet been established, however GfD will pursue working in this space through an upcoming grant arrangement with Oxfam.
<b>Other Voices in Public Policy</b>		
<b>October 2018</b>		
Explore benefits of a closer GfD-JSMP relationship that goes beyond providing financial support. GfD should continue working with JSMP on contract enforcement advocacy and justice reform that gives increased confidence for businesses and investors. GfD could consider supporting JSMP to produce their reports in all official languages to increase their sphere of influence.	Embassy first secretary, public administration work area coordinator, GfD Team Leader GfD inclusive policy and gender adviser	GfD has provided JSMP with mentoring in relation to financial management, and training in relation to fraud and risk management, and child protection. During 2019/20 GfD plans to work with M&E House to delivery ToC training for JSMP.
JSMP is doing an excellent job in engaging with community leaders and groups and conducting trainings to support them to demand services. GfD should stimulate FM and the LEAP program to follow this example for the issues they work on.	Embassy first secretary, public administration work area coordinator, GfD Team Leader GfD inclusive policy and gender adviser	To be progressed in 2019/20.
The work of FM could benefit from a gender lens. GfD should analyse benefits of a closer relationship that goes beyond mere financial support. Targeted GfD support to FM in terms of coalition work on gender and security, would be an interesting option to explore.	Embassy first secretary, public administration work area coordinator, GfD Team Leader	Fundasaun Mahein undertook and disseminated research on gender-based violence, and will be encouraged to



Recommendations	Responsibilities	Status
	GfD inclusive policy and gender adviser	further explore gender issues in their work in the coming financial year.
The Asia Foundation should be asked to provide more evidence on how broad, inclusive and diverse the Policy Leadership Group is in terms of its membership, its use of the English language and the predominantly Australian educational background of its members.	Embassy first secretary, economic policy work area coordinator	To be progressed in 2019/20 as the activities of TAF are reviewed, in consultation with Embassy political team.
The Asia Foundation's LEAP program could consider how to better engage media and involve more Timorese researchers, advocates and experts to share their opinions and ideas, and also ensure there is a broad enough range of discussions and presenters on different subjects.	Embassy first secretary, public administration work area coordinator, GfD communications specialist	The range of speakers has expanded in 2018/19, and TAF is investing more heavily in TV opportunities (talk shows). Ongoing discussion in 2019/20.
Explore how to better support grant partners to be involved in policy development processes and to access information from the other reform areas being supported by GfD; explore other partnerships and relationships for information sharing and citizen participation; and explore ways of promoting coalitions for change.	Embassy first secretary, public administration work area coordinator, Team Leader, GfD inclusive policy and gender adviser	Significant work has been undertaken in this area, including connecting grants partners to relevant advisers, inviting them to attend GfD training and participate in GfD forums (such as the 2019 reflection and planning workshop).
<b>Working in Partnership</b>		
<b>April 2019</b>		
Continue to strengthen relationships with key development partners in each of GfD's reform areas, and meet with them regularly, both formally and informally.	Embassy First Secretary	
Support GoTL to maintain strong donor coordination mechanisms in specific areas, and in particular the MoF-led annual development partner meetings.	Embassy First Secretary	
Support dialogue and coordination across partners at a range of levels, including within GfD, across Australian Government-funded programs (in particular PHD, Partisipa and MDF), and with other development partners, and continue to coordinate specific working groups for programs under the Australian aid program.	Embassy First Secretary, Work Area Coordinators, GfD Team Leader, relevant GfD advisers	
Maintain strong relationships with grant partners through regular dialogue, providing them with a clear reporting structure, and identifying opportunities for/facilitating synergies across other areas of the GfD program.	Embassy First Secretary, Work Area Coordinators, GfD Team Leader	
Support CSOs to strengthen their engagement with policy development processes and look for opportunities to actively facilitate and build coalitions for change on specific reform issues.	Public Administration Work Area Coordinator, GfD Gender and Inclusion Adviser, GfD Team Leader	
<b>Relevance, Efficiency and Sustainability</b>		
<b>April 2019</b>		
Test the Joint Work Strategies that are currently under development against key priorities – the Strategic Development Plan and GfD's EOPOs, and ensure that they are developed on the basis of a sound Political Economy Analysis (PEA).	GfD Program Coordinator, Work Area Coordinators, Embassy First Secretary, GfD Team Leader	
Test any proposed new activity against the Joint Work Strategies, including an analysis of fit with other GfD activities, and implications for GfD resourcing.	GfD Program Coordinator, Work Area Coordinators, Embassy First Secretary, GfD Team Leader	

Recommendations	Responsibilities	Status
Continue to adopt a politically neutral stance in all interactions and ensure that relationships are built across the political spectrum, regardless of who is in positions of influence at any single point in time.	Work Area Coordinators, Embassy First Secretary, GfD Team Leader	
Continue to engage a significant proportion of national advisers, and work with GoTL counterparts to identify ways to transition some of these advisers to in-line positions over time.	Work Area Coordinators, Embassy First Secretary, GfD Team Leader	
Ensure that adviser terms of reference have a specific technical focus, and are not replacing general administrative or operational roles that should be undertaken by civil servants and funded by GoTL.	Work Area Coordinators, Embassy First Secretary, GfD Team Leader	
Ensure that all terms of reference have a strong focus on capacity building and knowledge transfer.	Work Area Coordinators, Embassy First Secretary, GfD Team Leader	
<b>Additional recommendations in response to lessons learned</b>		
<b>April 2019</b>		
Ensure that the development of policies and systems is inclusive, and supported by a high level champion within government.	Embassy First Secretary, Work Area Coordinators, GfD Advisers	
Embed considerations of implementation in early stages of policy development.	Embassy First Secretary, Work Area Coordinators, GfD Advisers	
Plan for a realistic pace of policy implementation, recognising absorptive capacity and allowing for iterative learning and adaptation.	Embassy First Secretary, Work Area Coordinators, GfD Advisers	
Provide adequate support for policy implementation as well as development.	Embassy First Secretary, Work Area Coordinators, GfD Team Leader	
Continue to work with development partners to identify credible focal points for coordination of development partner engagement in each sector.	Embassy First Secretary	
Continue to maintain flexibility, and a willingness to capitalise on opportunities to circumvent blockages.	Embassy First Secretary, Work Area Coordinators, GfD Team Leader	
Continue to maintain a politically-neutral, broad-based of networks across GoTL stakeholders.	Embassy First Secretary, Work Area Coordinators, GfD Advisers	

## Annex 4 Program-wide Risk Register

LIKELIHOOD	CONSEQUENCE				
	Negligible 1	Minor 2	Moderate 3	Major 4	Severe 5
Almost certain 5	Moderate	Moderate	High	Very High	Very High
Likely 4	Moderate	Moderate	High	High	Very High
Possible 3	Low	Moderate	High	High	High
Unlikely 2	Low	Low	Moderate	Moderate	High
Rare 1	Low	Low	Moderate	Moderate	High

Category / Issue Description	Risk	Likelihood	Consequence	Risk Rating	Mitigation Strategy	Responsibility
<b>Achievement of GfD Goal: A Stable and Prosperous Timor-Leste, characterised by economic development and better service delivery</b>						
Political	Political change leads to: <ul style="list-style-type: none"> <li>Lack of 'politically possible' interventions, and underutilised advisers; or</li> <li>Loss of momentum on reforms, reducing the impact and progress of GfD.</li> </ul>	Likely	Moderate	High	<ul style="list-style-type: none"> <li>Political economy analysis to identify where work can be focused on what can be done technically, without political level decisions.</li> <li>Maintain the political neutrality of the program by engaging with stakeholders from all political persuasions.</li> <li>Continue to maintain flexibility of the program so that as opportunities arise, they can be evaluated and acted upon in a timely manner.</li> <li>Be willing to withdraw from areas where engagement has reduced.</li> <li>Bilateral dialogue to determine impact of event and negotiation of any required changes to the program.</li> <li>Advisers build institutional as well as individual relationships, and identify opportunities to take work forward in the changed environment.</li> <li>Continue to use redesign workshops as an opportunity to draw on advisers' and team members' ideas and perspectives.</li> <li>Use evidence from review and redesign workshops to inform decisions and continually assess progress and achievements.</li> <li>Continue to work with high performing and/or talented GoTL agents of change, who may not be working in traditional GfD areas of work, to maximise the possibility for real improvements.</li> </ul>	Australian Embassy Program Director, First Secretary-Governance and Work Area Coordinators, GfD Team Leader and Program Coordinator, GfD advisers
	Political decisions around foreign support impact on the work of Australian Embassy in Timor-Leste, which could lead to withdrawal of advisory	Likely	Moderate	High	<ul style="list-style-type: none"> <li>Use adviser network to monitor government decisions that may impact on ongoing advisory support.</li> <li>Seek advice from development partners and within Australian Embassy on alternative approaches.</li> <li>GfD supports the bilateral relationship by working with GoTL at the policy and technical levels.</li> </ul>	Australian Embassy Program Director, First Secretary-Governance and Work Area Coordinators, GfD

Category / Issue Description	Risk	Likelihood	Consequence	Risk Rating	Mitigation Strategy	Responsibility
	support in particular Ministries/Agencies.				<ul style="list-style-type: none"> <li>GfD and Australian Embassy maintain communication to identify relationship/perception risks.</li> <li>Advisers to look for new opportunities to achieve the same objectives through different counterparts.</li> <li>Work closely to ensure consistent, agreed messaging to advisers regarding their role on GfD and associated perceptions and risks.</li> <li>Prioritise the use of national advisers/technical experts with existing agency understanding and relationships where possible.</li> </ul>	Team Leader and Program Coordinator
Relationship	Change of staff in the Australian Embassy and GfD team, compromising relationships built.	Possible	Moderate	High	<ul style="list-style-type: none"> <li>Embassy staff to engage broader GfD team in relationship building with key GoTL stakeholders</li> <li>Regular GfD meetings held for institutional knowledge sharing.</li> <li>Written reports to record key information.</li> <li>Maintain the ability to be responsive/flexible</li> <li>GfD to have adequate transition planning in place.</li> <li>Handover notes prepared, and handover period held where possible.</li> </ul>	Australian Embassy Program Director, First Secretary- Governance and Work Area Coordinators, GfD Team Leader and Program Coordinator,
TL Security	Dynamic security situation impedes advisers' ability to deliver.	Possible	Moderate	High	<ul style="list-style-type: none"> <li>Monitor security developments.</li> <li>Conduct security risk assessment and update as security situation changes.</li> <li>Brief advisers on the changing security environment and support.</li> <li>Open communication with Australian Embassy regarding risks and impacts.</li> <li>Security plan enacted at appropriate time.</li> <li>GfD provides regular security reports and updates to the team.</li> </ul>	GfD Team Leader and Program Coordinator, Australian Embassy First Secretary- Governance and Work Area Coordinators
<b>Achievement of EOPO 1: Government makes better decisions and develops evidence-based policies</b>						
Policy development	GfD advisers are driven by political imperatives at the expense of following good practice policy development process, leading to policies not based on evidence or involving consultation.	Possible	Moderate	High	<ul style="list-style-type: none"> <li>Support advisers to develop and implement procedures within agencies that regularise sound policy development processes.</li> <li>GfD to give consideration to supporting development of a consistent policy process to promote across GoTL.</li> <li>Australian Embassy to continue to reinforce messaging with counterpart agencies around the role of advisers.</li> <li>Ensure induction process develops a common understanding of what the program is trying to achieve (both international and local advisers).</li> </ul>	GfD Team Leader and Program Coordinator, Australian Embassy First Secretary- Governance and Work Area Coordinators, GfD advisers
	Other advisers contracted by Government of TL or other donors undermine change efforts.	Possible	Minor	Moderate	<ul style="list-style-type: none"> <li>Political economy analysis to identify influences and blockages.</li> <li>Support GoTL to influence through use of evidence and include agents in change process to change mindset.</li> <li>Ensure donor coordination.</li> <li>Engagement with counterparts on the purpose of the reform to develop ownership.</li> <li>Be responsive to the needs of the particular work area – e.g. recruit an adviser with Portuguese language where this may be an advantage.</li> </ul>	GfD advisers, Australian Embassy Work Area Coordinators GfD Team Leader and Program Coordinator.

Category / Issue Description	Risk	Likelihood	Consequence	Risk Rating	Mitigation Strategy	Responsibility
<b>Achievement of EOPO 2: Government improves implementation of policies and delivery of services</b>						
Resource allocation	GoTL does not allocate budget in accordance with the Strategic Development Plan, limiting GfD's impact on the people of TL.	Likely	Moderate	High	<ul style="list-style-type: none"> <li>GfD adviser support to implementation of budgetary governance roadmap.</li> <li>Support to implementation of information management tools.</li> <li>Support to line ministries to advocate for budget allocation to allow for program and service delivery.</li> </ul>	GfD Advisers
	GoTL investing insufficient resources in GfD reforms	Likely	Moderate	High	<ul style="list-style-type: none"> <li>Develop and regularly review joint work strategies to encourage joint commitment to objectives and activities and agreement on GoTL investment</li> <li>Adopt a principle of GfD adviser travel only being approved when accompanied by GoTL counterpart</li> </ul>	GfD Team Leader and Program Coordinator, Australian Embassy First Secretary- Governance, GfD advisers
<b>Achievement of intermediate outcomes</b>						
Capability development of GoTL officials	The behavior change that GfD is trying to influence is constrained by organisational disincentives.	Likely	Moderate	High	<ul style="list-style-type: none"> <li>GfD adviser support to officials that have responsibilities in the specific reform areas</li> <li>GfD support to inclusive policy development process that improves the possibility that policies will be well implemented</li> <li>GfD support to GoTL to link performance at the institutional and individual levels with achievement of results</li> </ul>	GfD Advisers
Accessibility of expertise	Comparative pay scales impact on the recruitment and/or retention of staff.	Likely	Negligible	Moderate	<ul style="list-style-type: none"> <li>Retain readiness to seek variations in salary framework for certain skills.</li> <li>Monitor salary framework for locally engaged staff to ensure it is adequate and appropriate relative to comparative positions in the public, private and not-for-profit sector.</li> </ul>	GfD Team Leader and Program Coordinator, Cardno Contractor Rep, Australian Embassy First Secretary- Governance
<b>Sustainability</b>						
Expansion of scope	Pressure to expand into new areas results in thinning of resources, increased administration and reduced impact.	Possible	Moderate	High	<ul style="list-style-type: none"> <li>GfD and Australian Embassy develop M&amp;E/information products so updates on GfD activities are available and show coherence of activities.</li> <li>Consider new requests on case by case basis, or direct the request to another program if more appropriate.</li> <li>Anticipate such requests by building in flexibility and the capacity to scale up support to Australian Embassy to manage unforeseen activities.</li> <li>Be guided by advisers working closest with the counterparts.</li> <li>Utilise Review and Reflection workshops to consider the whole of program perspective.</li> <li>Develop and regularly review joint work strategies to encourage joint commitment to objectives and activities</li> </ul>	Australian Embassy whole of program responsibility GfD Team Leader and Program Coordinator,
Capacity building	Too much focus on plugging short-term gaps	Unlikely	Minor	Low	<ul style="list-style-type: none"> <li>GfD to take an outcome-focused approach in considering, designing and effectively managing alternate modes of assistance. Specific objectives of support are outlined ahead of the assignment. Counterparts of expectations for capacity building versus</li> </ul>	GfD Team Leader and Program Coordinator



Category / Issue Description	Risk	Likelihood	Consequence	Risk Rating	Mitigation Strategy	Responsibility
	detracts from longer-term capacity building.				<ul style="list-style-type: none"> <li>'doing' are outlined at the start of the assignment and formalised in joint work strategies.</li> <li>Being clear as to when and why capacity substitution is appropriate in certain circumstances.</li> <li>GfD to consider alternative and appropriate modes of assistance to achieve agreed outcomes.</li> <li>GfD review adviser impact and assess against relevant, alternative assistance modalities.</li> <li>Continually enforce messages about the role of advisers.</li> <li>Communicate frequently with GoTL partners to ensure advisory support is being used in the manner that it is intended.</li> </ul>	Australian Embassy First Secretary- Governance and Work Area Coordinators
	Insufficient focus on organisational capacity building undermines the sustainability of changes	Possible	Moderate	High	<ul style="list-style-type: none"> <li>Adviser training on capacity development, eg DFAT Capable Counties Guidance Note.</li> <li>Joint work strategies articulate organisational capacity building goals and are regularly reviewed</li> <li>Regular discussions across GfD advisers from different work areas provides an opportunity to discuss approaches to organisational capacity building and opportunities for sharing of knowledge, and potential resources, to support this</li> </ul>	
<b>Implementation / operational risks</b>						
Fraud	Misappropriation of Australian Government funds by partners / sub-contractors / advisers / project staff and subsequent damage to reputation of Australian Government.	Possible	Major	High	<ul style="list-style-type: none"> <li>Quality Management Plan in place with detailed roles and responsibilities, including checking of expenditure, contracts, etc. and approving authority separated from process. This is reviewed as needed, such as change of personnel or team composition.</li> <li>GfD delivers routine, comprehensive fraud training for all project staff in Timor-Leste, including on Zero Tolerance policy. Personnel undergo compulsory online course annually. Additional face-to-face training conducted by Cardno and/or DFAT.</li> <li>Zero tolerance Fraud Strategy in place, including reporting, investigating and resolution procedures. Ongoing oversight.</li> <li>Minimise cash handling and storage as per Cardno policies and procedures that are in place; continue to search for and apply alternative approaches to cash payments; and implement any recommendations that arise from internal audits that address cash management systems and security.</li> </ul>	GfD Team Leader, Personnel & Office Manager, Senior Finance Officer
Child protection	Advisers and staff come into contact with children during the course of their work or outside work activities, and commit child abuse, which damages children, and destroys the reputation of Australian Government.	Unlikely	Severe* (*As per DFAT child protection guidance note)	High	<ul style="list-style-type: none"> <li>GfD/Cardno follows DFAT CP Policy.</li> <li>All GfD staff participate in CP training within 45 days of commencing their employment</li> <li>Policy and procedures updated periodically.</li> <li>GfD continue standard practices with regard to recruitment process and police checks.</li> <li>Advisers and staff briefed and sign policy.</li> <li>Cardno has specialised CP team to use as a resource.</li> <li>Due diligence of potential sub-grantees carried out prior to entering into grant agreements, including on child protection practices.</li> </ul>	GfD Team Leader and Program Coordinator, GfD Office Manager, Cardno Contractor Rep., Advisers

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Harassment / bullying	GfD advisers engage in or are the subject of harassment or discrimination	Possible	Major	High	<ul style="list-style-type: none"> <li>Ensure advisers are familiar with the Workplace Behaviours policy and are aware of the process for reporting harassment or discrimination.</li> <li>Provide annual refresher / training – ensure that the managers and employees are aware of their respective responsibilities for preventing workplace harassment / bullying.</li> <li>GfD continually promotes a positive work environment, where everyone is treated fairly and with respect.</li> <li>GfD demonstrates commitment in identifying and preventing workplace bullying (through modelling behaviour which will send a clear message to staff that the program is serious about preventing workplace bullying &amp; unreasonable behaviours will not be tolerated)</li> <li>Regular consultation with advisers / staff to identify unreasonable behaviours &amp; prevent potential case of bullying. Eliminate factors that can lead to workplace harassment / bullying.</li> </ul>	GfD Team Leader, GfD Office Manager, Cardno Contractor Rep.
Health and safety	GfD advisers are exposed to less than optimal work environments or other hazards	Likely	Major	High	<ul style="list-style-type: none"> <li>For GoTL workplaces: implement WHS workplace checklist to assess GfD advisers' work places, prior to working in that location. Any hazards identified to be recorded in hazard register, and remedied as far as reasonably practicable to do so, where appropriate in collaboration with Embassy.</li> <li>Palm Business Office: induction briefing to include familiarisation with the fire safety and building evacuation plan.</li> <li>Inductions for all staff to include advice on travel safety, security and evacuation.</li> </ul>	GfD Team Leader, GfD Office Manager, Cardno Contractor Rep. Australian Embassy Program Director
Budget	LES with service >3 years moving to open-ended contracts. Future risk when GfD ends and Cardno will have to terminate contracts.	Possible	Negligible	Low (2018)	<ul style="list-style-type: none"> <li>GfD to budget for termination payment ('severance').</li> <li>GfD manage process so LES are aware that open-ended contracts will have to be terminated, preferably by mutual agreement, when project ends.</li> <li>GfD maintain awareness of changes to Labour Law.</li> <li>Cardno to consider seeking legal advice to support the proposed approach to termination payments, and to ensure compliance with Labour law.</li> </ul>	GfD Team Leader and Program Coordinator Cardno Contractor Rep.
Management/ Coordination	Lack of clarity between GfD stakeholders on responsibilities, level of authority, and communication protocols could lead to delays / inefficiency, uncertain accountabilities, resulting in lack of confidence and trust.	Possible	Moderate	High	<ul style="list-style-type: none"> <li>GfD to review Ways of Working on a regular basis to establish engagement protocols, roles and division of responsibilities, principles, communication protocols, delegations, decision-making authorities and dispute-resolution procedures.</li> <li>Manage these potentialities by being flexible in support and able to rapidly scale-up or change the nature of assistance, as required.</li> <li>Clear Terms of Reference developed for all personnel.</li> <li>Regular team meetings.</li> </ul>	GfD Team Leader and Program Coordinator, Australian Embassy Program Director, First Secretary- Governance and Work Area Coordinators
Reputation	Advisers under-perform or demonstrate inappropriate attitudes or behaviour in the Timor-Leste context.	Possible	Moderate	High	<ul style="list-style-type: none"> <li>GfD systems and processes for recruitment are applied.</li> <li>GfD conducts thorough background checking of candidates and criminal record checks.</li> <li>Regular communication with Australian Embassy about adviser performance and behaviour.</li> <li>All international advisers briefed on behavioural expectations.</li> <li>Adviser performance issues addressed in a timely manner, in consultation with Embassy, through due process</li> </ul>	GfD Team Leader and Office & Personnel Manager Australian Embassy First Secretary- Governance

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					<ul style="list-style-type: none"> <li>Regular contact with advisers includes appropriate pastoral care.</li> </ul>	
	Sub-grantees under-perform or sub-grantee staff demonstrate inappropriate attitudes or behaviour in the Timor-Leste context.	Possible	Moderate	High	<ul style="list-style-type: none"> <li>Undertake comprehensive risk assessment prior to sub-contracting / as part of the activity design process; seek formal approval from the Embassy before implementation.</li> <li>Due Diligence Assessment for Partner Organisations applied prior to sub-contract being finalised. The due diligence checklist incorporates requirements from DFAT and extends to assurance around WHS, child protection practices, integrity systems, fraud, bribery and corruption p and management practices.</li> </ul>	GfD Team Leader and Office & Personnel Manager Australian Embassy First Secretary-Governance