

Governance for Development Monitoring and Learning System 2014 to 2017

Abbreviations and Acronyms

ABS	Australian Bureau of Statistics
ADB	Asian Development Bank
ANC	National Communications Authority
APPR	Annual Program Performance Report
AQC	Aid Quality Check
BNCTL	National Commercial Bank of Timor-Leste
BRG	Budget Review Committee
CSC	Civil Service Commission
CSO	Civil Society Organisation
DBS	Direct Budget Support
DFAT	Department of Foreign Affairs and Trade
DG	Director General
DGE	Director General Statistics
DN	National Director
FE	Forward Estimate
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GfD	Governance for Development Program
GfDSS	Governance for Development Support Services
GJPRU	Professional Human Resource Management Group
GoA	Government of Australia
GoTL	Government of Timor-Leste
HOM	Head of Mission
HR	Human Resources
HRD	Human Resource Development
HRM	Human Resource Management
HRMS	Human Resources Management System
IADE	Institute for Business Development Support
IFC	International Finance Corporation (World Bank Group)

INAP	National Institute of Public Administration
INDMO	National Labour Force Development Institute
INTOSAI	International Organization of Supreme Audit Institutions
KPI	Key Performance Indicator
LM	Line Ministry
LTA	Long-term Adviser
M&E	Monitoring and Evaluation
M&L	Monitoring and Learning
MLS	Monitoring and Learning System
MoF	Ministry of Finance
MoH	Ministry of Health
MoSA	Ministry of State Administration
MSS	Ministry of Social Solidarity
ND	National Director
NPP	New Policy Proposals
O&M	Operations and Maintenance
OPM	Office of the Prime Minister
PDA	Administrative Pre-deconcentration
PDID	Integrated District Development Planning
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMCBC	Public Financial Management Capacity Building Centre
PM	Prime Minister
PNDS	National Village Development Program
PPMO	Planning Performance Management Office
SDP	Strategic Development Plan
SERVE	Business Registration and Verification Service
STA	Short-term Adviser
TAF	The Asia Foundation
TL	Timor-Leste

ToA Theory of Action

ToC Theory of Change

WB World Bank

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1. About Governance for Development

1.1 Background

The Governance for Development (GfD) Program is an eight year Australian aid initiative supporting governance reforms that impact the reach and quality of services, and economic opportunity in Timor-Leste.

GfD is not prescriptive about the route to reform as long as it is “politically possible and technically appropriate”. As such, GfD’s implementation approach is prospective in the sense that GfD remains alive to emerging opportunities for engagement and reform. GfD aims to engage with the policy process by working with influential stakeholders to support reforms identified by the Government of Timor-Leste (GoTL) that are developmental. At the same time, GfD supports institutional reforms to build the credibility of government ministries, and therefore their effectiveness and influence over time.

The GfD program (total value of \$61,780,000 from 2013-2017) is delivered through a range of modalities including:

- DFAT direct implementation;
- Managing Contractor procurement and management of advisers and provision of logistical support;
- Targeted budget support to the GoTL Ministry of Finance (MoF);
- Non-government partner engagement - The Asia Foundation (TAF), World Bank (WB), Asian Development Bank (ADB); and
- Partnerships with other Australian Government Agencies (ie. - Australian Bureau of Statistics {ABS}).

Governance reforms do not occur quickly and need substantial support to build lasting impacts. In light of this, GfD is an eight year program split into two phases, (phase one from 2014-2017 and phase two from 2018-2021). This Monitoring and Learning System (MLS) outlines the approach for phase one of the program.

1.2 GfD Goals

The GoTL has ambitious plans to develop the economy and improve the delivery of services, as articulated in its *Strategic Development Plan 2011-2030 (SDP)*. The GoTL acknowledges that its bureaucratic systems are a challenge to its ability to implement the SDP. It recognises that:

“Good governance and a professional, capable and responsive public sector are essential for the delivery of government services and the implementation of the Strategic Development Plan” (SDP p.183).

In support of the GoTL’s objective to improve governance, GfD works with government agencies to improve the policies and systems that are most important to: (I) Economic growth and (II) Improvements in basic services.

(I) Economic growth

Under this pillar, GfD supports the GoTL to achieve economic development and develop a fiscal framework that delivers sustainable government finances, economic growth and meets social needs.

GfD supports the GoTL to develop a strong framework for making economic policy decisions, and translating those policies into sustainable public investments.

(II) Improvements in basic services

Under this pillar, GfD supports the GoTL to improve basic services by focusing on the key blockages and breakages in government systems. GfD supports key government agencies to deliver on their respective mandates. The program plays an enabling role, supporting DFAT's sector programs (health, education, agricultural development, and the support to PNDS) to address governance constraints within Line Ministries (LMs) and Districts.

GfD is unlikely to have a direct and discrete impact on the overall program goals of improved service delivery and economic growth. It will only do this through the combined efforts of GfD and DFAT's broader aid investment in Timor-Leste. For example, improvements in health services are unlikely to result from an isolated GfD intervention, but may be possible as a result of the GfD and Health sector teams working together over a sustained period of time.

This whole of program contribution will be monitored through DFAT's Performance Assessment Framework for Timor-Leste, and reported in the Timor-Leste Annual Program Performance Report (APPR).

During the design of GfD contextual analysis of the policy-making environment and constraints to growth and improved service delivery identified six governance reform priorities. These were originally phrased as end of program outcomes. In the development of the MLS it became apparent that these outcomes are not yet specific enough to allow judgments about adequacy of progress toward them. In line with good monitoring and learning practice for iterative programs, GfD has made a purposeful decision to treat these reforms as Work Areas rather than end of program outcomes at this early implementation stage. The MLS will assist the program to refine these Work Areas into end of program outcomes in the second phase of the program, once necessary knowledge and relationships are in place. The six key Work Areas that the design phase analysis suggests are most likely to contribute to economic growth and service delivery are:

- The government has a fiscal framework that supports sustainable government finances, economic growth and meets social needs;
- The government makes decisions about economic policy that supports sustainable economic development and poverty reduction;
- Central agencies have a budget process that supports improved access to services;
- Central agencies systems support the timely and reliable transfer of financial resources to service delivery managers;
- Ministry of State Administration sub-national systems support service delivery; and;

- Central agency HR systems enable service delivery.

The level of change required for the GoTL to address these governance constraints is substantial and it is important to acknowledge that GfD aims to contribute to addressing these constraints. However, it is likely that guiding questions will need to be asked beyond the life of the eight-year program. This is why the GfD has identified four year outcomes in each Work Area to measure the outputs and the contribution towards outcomes. GfD expects to see government agencies adopt an approach to working that prioritises economic development and improved services. This would reflect a change in culture where agencies proactively self-identify and seek ways to address constraints to economic development and service delivery.

1.3 Work Areas and Activities

GfD has many ways to work towards governance reforms linked to service delivery and economic growth. These component parts include activities and partnerships with government and non-government organisations, together with our relationships and engagement with government and non-government organisations. GfD activities are carried out primarily by advisers working within Timorese ministries either on a long term or short term basis. Other activities include: research and analysis, study tours, policy forums and training courses. Activities range from small one-off activities, such as study tours, through to activities requiring significant financial and human resources, such as engagement with a new GoTL agency. These are continuously being developed and refined throughout GfD implementation.

Activities and partnerships are clustered in distinct Work Areas. The number and scope of work areas has evolved since the design of GfD. They have been refined in consultation with GoTL based on politically possible and technically appropriate interventions. Some Work Areas are in an exploratory phase, in which end of program outcomes (phase one) are not able to be clearly defined. In this case progress against the GfD's enabling outcomes (knowledge and relationships) is measured. For Works Areas where there is a clearer understanding of what reforms are possible over the medium term, four year outcomes are articulated that are revised/updated annually.

Table 1 **GFD WORK AREAS**

Proposed Work Area Activities	Desired Outcomes by end of 2017 (phase one)
Public Financial Management	
Direct Budget Support. Technical and capacity building support to line ministry/s (through PFM advisers). Technical and capacity building support to Ministry of Finance (through PFM advisers).	Planning Performance Management Office (PPMO) leads improved planning and performance evaluation processes within the Ministry of Finance and champions improved performance across GoTL. Line Ministries and MoF improve the timeliness, efficiency and effectiveness of the payments system. Line Ministries and MoF improve quality of information presented to BRC. MoF DN Economic Policy leads robust analysis on revenue policy, non-oil growth, and quality of public expenditure (e.g. PERs).

	<p>Effective management of state assets.</p> <p>Competencies of government finance officers improve.</p> <p>The quality and number of MoF financial and compliance audits across government improves.</p>
Deconcentration/Decentralisation	
<p>CSC support workforce planning; allocation and transfer of staff and resources.</p> <p>Training in financial competencies through PFM training centre.</p> <p>Support the process to reallocate budgets from line ministries to MoSA.</p> <p>Support development of finance and procurement law.</p> <p>Support the development of financial operations manual.</p> <p>Build and broker relationships with influential stakeholders.</p>	<p>Staff in districts empowered and supported to make decisions about service delivery.</p> <p>Delegated/devolved financial functions to districts with accompanying financial competencies.</p> <p>MoSA delivers on its expanded mandate.</p> <p>Decentralisation framework in place including political system (elections) and admin system (accountability).</p>
Financial Sector (TBD)	
TBD	
Human Resource Policy Framework	
<p>Support development of Legal/Governance framework.</p> <p>Support the development of industry relations framework.</p> <p>Recruitment and selection regulations updated.</p> <p>Support Job design and workforce planning.</p> <p>Improve the performance evaluation system.</p> <p>Human resource development training.</p>	<p>CSC demonstrates improved ability to develop and amend the HR/IR governance framework.</p> <p>Government stakeholders consider CSC a credible central agency for HR and employment.</p> <p>Line Ministers are effectively administering HR functions.</p> <p>Line ministries and institutions Directors General demonstrate effective leadership.</p>
Statistics	
<p>Long term ABS employee embedded in DGE to build capacity of DGE.</p> <p>Short term missions from ABS staff to provide technical assistance and training to improve the quality of statistics.</p>	<p>DGE is using international standards for the production and dissemination of statistics.</p> <p>Statistics products (National Accounts, prices, business activity, labour force and other economic/social statistics) are accepted by MoF and other stakeholders.</p> <p>Statistics are produced according to a regular calendar.</p> <p>DGE takes more responsibility for methodology, collection, analysis for results, compilation, and publication of statistics.</p>
Telecommunications	
<p>Research and develop training plan (economic, engineering & regulation).</p> <p>Mentoring on projects – specific projects as agreed with the ANC.</p> <p>Formulation of future projects in consultation with ANC.</p> <p>Regulatory advice to President and Board Technical Director.</p>	<p>Operators are able to gain regulation licenses and registration on application.</p> <p>ANC ensures that carriers are registering users of SIM cards.</p> <p>ANC develops and implements a consumer protection code.</p> <p>New spectrum is released to enable stronger telecoms services.</p>

Technical and capacity building support to build functional regulatory organization.	Universal Service charter is developed to facilitate internet access in remote areas. Competition policy is developed to ensure equitable access. Staff are more competent, confident and deliver on mandate.
Support for Good Public Policy	
Refer TAF Monitoring and Evaluation Plan covering this area.	Refer TAF ToC, Monitoring and Evaluation Plan and associated desired outcomes.
Economic Policy	
Multilateral program analysis, reports and policy implementation support (ADB, IFC, World Bank). GfD coordination and brokerage between development partners. Support to coordinate Minister's office. Production of academic papers, reports, seminars, information work through Monash – KP. Knowledge products (DFAT internal).	DFAT is operating from a stronger analytical base (strong pro-poor approach) and using economic analysis to make decisions. GoTL is using analysis to inform economic and fiscal policy. DFAT's development partners are aligned on the main economic policy priorities. Improved enabling environment for private sector businesses.
Support to the Prime Minister's Office	
Support by provision of a Public Financial Management adviser following on from Policy Development/Policy Advice previously provided.	Supporting good Public Financial Management (PFM) across GoTL.

1.4 Theory of Action

In order to understand how to assist the GoTL to effectively manage the economy and improve service delivery, it is vital to understand the process by which policies are made and implemented in Timor-Leste.

The design of GfD was informed by an assessment of the policy-making environment in Timor-Leste, which concluded that decision-making and financial controls are highly centralised and that the government ministries are primarily implementers not informers of government policy. Significant policy decisions such as fiscal and economy policy, subnational administration and the budget process are made by a core group of decision makers. There are several disconnected layers of government that mitigate against government accountability for service delivery and limit opportunities for citizens to demand better services. The assessment also found that relationships of trust are key to gaining influence, legitimacy and information in the civil service.

This understanding of how policy is made and implemented in Timor-Leste has informed the Theory of Action (ToA) for GfD:

- The GfD program has identified a number of reform areas, (based on situational analysis and discussions with key stakeholders) that will make a difference to economic development and service delivery. The program has identified four key parts of the central agency system which are crucial for effective service delivery: the budget process; the transfer of money (PFM); human resources (HR Policy); and subnational administration (Deconcentration/Decentralisation).

- GfD will focus on building strong relationships with government agencies and other organisations as the key means by which to engage on matters most important to service delivery and economic and fiscal management.
- Through these relationships GfD will build its knowledge and understanding of the policy making process and Timor-Leste context.
- GfD starts with identifying the significant decision-makers and influential stakeholders by working with and bringing together stakeholders with an interest in the reforms, and by presenting persuasive information and analysis to Timor-Leste stakeholders.
- GfD also works with central agencies to implement technically appropriate, politically possible reforms. GfD and DFAT sector programs will actively broker increased interactions and flows of information between central agencies and LMs so that respective interest and incentives are understood and a more collaborative approach to solving governance constraints is adopted.
- Over time, by working with a number of stakeholders, and by working with central agencies to institutionalise ways of working it is theorised that reforms will be sustained.

A diagrammatic representation of the GfD ToA is provided at **Annex 1**. It represents GfD's understanding of how change will happen in each work area.

GfD has three change enablers to be measured throughout implementation. At this early stage they are not clear enough to determine as specific measurable outcomes but will occur (at differing levels) within all GfD Work Areas. The enablers are based on GfD's central hypothesis that expanding knowledge and strengthening partnerships will lead to more substantive development outcomes as partners learn to trust each other and share decision making.

- Government and non-government stakeholders contribute to politically possible and technically appropriate.
- DFAT understands central government systems as they relate to service delivery and uses that knowledge in its programs.
- DFAT has integrated policy positions on the budget, civil service systems, statistics, and public financial management and uses this policy positions in its engagement with the Timorese government.

These enablers acknowledge that DFAT needs to engage in formal and informal knowledge generation to understand the policy-making environment and identify areas for reform.

To translate this overall ToA into a tool for program management, a GfD Work Area Strategy has been developed detailing the expected reforms in each work area and the anticipated path of reform. These are included in **Annex 2**. In developing a strategy for each Work Area, the program uses contextual analysis to postulate how change may happen organically (i.e. without an external intervention). Working with the grain and looking at how change is happening organically, GfD then develops a plausible model of how developmental changes may occur and how a GfD intervention may contribute. The strategies define the scope of the GfD intervention and outcome what we can reasonably expect to achieve. The rationale for

engagement in each Work Area and the assumptions underpinning how change happens is reviewed regularly as a part of the monitoring and learning processes outlined below.

1.5 GfD Work Area Outcomes: Partnerships, Knowledge and Development

Throughout program implementation each Work Area will identify a combination of knowledge, partnerships and development outcomes and progress markers; the exact configuration of each is likely to change over time. In some cases, GfD may be building knowledge and relationships for DFAT's sector programs, with the development outcomes reflected in the progress of the service delivery programs.

Consideration of partnerships, knowledge generation and development outcomes guides:

- selection criteria for activity proposals;
- design of individual activities with clear outcomes across relevant dimensions;
- assessment of the performance of individual activities against these outcomes;
- decision on whether or not to complete, expand or add complementary activities;
- assessment of the overall performance of activities within a Work Area and decision on the relevance of the Work Area as a whole; and
- synthesis of individual Work Area performance into a whole-of-program performance reporting.

In addition, successful partnerships cannot be developed if the development outcomes partners are working on are not agreed or not realised. Mutuality is an essential feature of effective partnership.

1.6 How does GfD make decisions?

As an iterative program, GfD is open to opportunities for reform identified by GoTL, DFAT or another partner or stakeholder. It is critical that decisions are made based on criteria to establish the link between the expected outcomes of the activity, the Work Area, and improved service delivery and/ or economic growth.

An activity strategy note (**Annex 3**) is used to detail the rationale for the activity with reference to the knowledge partnership and/or development outcomes of the relevant Work Area. The key questions guiding activity selection are:

- Is the activity aiming to achieve one or more Work Area outcomes? If not, would the Work Area make a greater contribution to GfD's goals by incorporating this activity's outcomes?
- Is it plausible to expect that this activity will achieve the relevant Work Area outcomes (taking into account context, time horizon, resources, and interventions proposed)?
- What are the implications for DFAT including reputational, balance of investments and policy coherence within the Work Area?
- What are the consequences if we do not undertake this activity?
- Are there plausible alternatives to supporting this activity?

Additional considerations including capacity, budget, time-sensitivity, modality and monitoring and learning are also taken into account during the activity selection process.

2. Approach to Monitoring and Learning

As a purposely flexible program, it is vital that GfD monitors progress toward the work area outcomes, and their relevance to GfD goals. With a focus on enabling governance reform, GfD relies on sound monitoring and learning to maintain a 'line of sight' through LMs and private sector to improved services and economic opportunity. The GfD monitoring and learning system serves to provide robust assessment of progress for internal and external stakeholders. It also needs to provide timely and accurate information for program management. Reflecting on progress is critical to test the assumptions upon which the program has been developed (the theory of action) and harness this to continually adjust.

The focus of the GfD MLS is multilevel: activity level, Work Area level, goal Level. The multilevel system enables for progress to be tracked throughout implementation (four years for phase one) using short, medium term and long term outcomes and progress markers.

Activity Level

Monitoring and learning at the activity level is focused on assessing whether each activity is making progress towards and contributes to Work Area outcomes or progress markers; where outcomes are a combination of knowledge, partnerships and/or development. Measurement at this level aims to provide quick feedback loops to learn and adjust as the activity is implemented. The activity strategy note is used to document what the activity is aiming to achieve, how it contributes to Work Area and how change will be measured. In cases where GfD is pursuing an activity to build or sustain a relationship, the purpose of the relationship and link to knowledge and/or development outcomes should be made clear. The M&L plan takes a 'light touch' towards M&E time and resources utilized on specific activities but looks more closely at how the activities are contributing to respective Work Areas. Program adviser planning and progress reporting form an integral part of this process.

Work Areas

The program has identified eight Work Areas to address key constraints to improved service delivery and economic growth. The ToA for each Work Area identifies desired outcomes for first four years and maps out how GfD expects change to happen, using progress markers to identify what changes are expected when.

Each Work Area has a rolling annual Work Area Strategy that identifies key expected annual outputs and output progress markers, with reference to the relevant ToA. Work planning and reporting is the responsibility of the 'Work Area manager'. This includes: preparation of the Work Area Strategy (reviewed every six month); six-monthly progress reports; and development of activity strategy notes for key activities within Work Areas.

Work Areas with activities implemented by DFAT's partners such as Support for Good Public Policy (TAF) and Building Statistical Capacity (ABS) also have their own program documents and work planning tools to track the quality key deliverable and the adequacy of progress towards four year outcomes. GfD will

develop Work Area Strategies that encompass this work. Program partners complete six-monthly progress reports to feed into six monthly reports for each Work Area.

GfD Goals

At the strategic, GfD asks the overarching question of is economic opportunity, and the quality and reach of services improving? Measurement at this level is less prescriptive and focuses on gathering evidence of a contribution of the Work Areas to wider changes in service reach and quality, and economic opportunity. On a semi-annual basis GfD will collate and analyse data from a range of sources to determine whether GfD is still working in the most relevant Work Areas. To do this GfD involves DFAT's sector programs in the reflection and redesign process and monitors progress against the Performance Assessment Framework for Timor-Leste. As a part of the APPR progress, GfD coordinates a snapshot of service delivery and economic opportunity at a country program level, using evaluative questions and contributory analysis to assess whether governance reforms have contributed to improved services and economic growth.

2.1 Monitoring and Learning Cycle

The design of GfD is dependent on a significant investment in regular reflection and evidence-based decision making by DFAT and relevant partners. Without attention to this aspect the program risks drifting into ad hoc activities or projects that lack purpose and coherence, and ultimately do not progress towards any substantive governance reform.

To ensure that GfD works strategically towards its goals and makes progress against its outcomes, the program carries out a whole-of-program reflection and redesign every twelve months. This process determines future funding and planning decisions based on whether activities are cumulatively making progress towards their Work Area outcomes. Data and analysis collected over a six month period at the operational level provides the basis for understanding the changes occurring, or not occurring, and the foundation for reflecting, learning and further planning on a six-monthly basis.

The reflection and redesign process provides the opportunity to ask questions including:

- Does the ToA still make sense?
- What has changed in the political economy? Why?
- What value does this have for GfD intentions?
- What is not happening/changing?
- What adjustments are required to respond to changes in context?
- Are we making the progress that was expected?

As a part of the reflection and redesign process, GfD assess progress against outcomes and progress markers and explains findings using the evaluative questions. It also prompts an evaluation of whether the program has the right mix of activities and is using the right modalities. As GfD activities are consolidated, and as more nuanced insights into the policy landscape develop, some activities may be dropped, and others added.

In the lead up to the reflection and redesign process, Work Areas prepare a six-monthly progress report and develop and/or update institutional snapshots if necessary relevant to the areas of work. The six-monthly report collates monitoring and learning findings from activity-level reports, progress against the Work Plan and wider political economy analyses to assess progress against outcomes and determine the ongoing relevance of the Work Area. Institutional snapshots are concise descriptions of the government organisations GfD works with including: organisational structure and culture; the key players and their interests and incentives; the mandate of the ministry and other political economy considerations.

Following the 6-monthly reflection and redesign process, a program progress report is produced that provides the overall analysis of progress and challenges, and outlines agreed changes to GfD's focus or direction. The report is provided to DFAT senior management and serves as the basis for internal reporting systems including the Aid Quality Check (AQC) and the APPR. Adjustments to respective Work Area Strategies are also made at this point.

Figure 1: GfD Monitoring and Learning Cycle



2.2 Measuring Progress

2.2.1 Progress Markers

GfD needs to both demonstrate and understand its progress towards its Work Area outcomes. Towards this end, a series of progress markers have been developed drawing from the ToA for each work area. Progress markers are used to describe the specific changes in behaviour and practice from Timorese partners that would be evident if progress toward, and ultimate achievement of, the outcome occurred.

Progress markers are developed at the Work Area based on progress made against relationships, knowledge and/or development outcomes. At the Work Area level, progress markers are developed based on anticipated changes described in the theories of action.

2.2.2 Evaluative Questions

Progress markers give us an understanding of what is changing within the program but the evaluative questions delve deeper and ask many of the why questions and help us to more clearly understand and articulate the changes. A mix of progress markers and evaluative questioning forms the basis of the MLS and appropriate methods of data collection will be utilised for each.

2.2.3 Data Collection and Analysis

Program Work Area teams are responsible for identifying data to be used to assess progress against reform areas. The M&E Adviser and Senior M&E Officer are responsible for assessing quality and reliability of data sources, ensuring a suitable range of data is utilised for each program area. At **Annex 4** in this document is the overall GfD Results Framework.

Where possible, GfD will use GoTL systems for planning and reporting, for example our work with the Ministry of Finance is measuring using a KPI process developed by our partners, as assessed by an independent team of PFM experts. However, in recognition of the fact GfD's planning and reporting requirements may not be the same as GoTL's the program uses internal reporting and planning templates, which are prepared in collaboration with GoTL.

Table 2 below, outlines the key data sources and how they will be applied:

Table 2 **GFD SOURCES OF DATA**

Product	What and what for?	Responsibility
Planning		
Work Area Strategy Document.	Documents key expected overall outcomes, annual outputs and progress markers for relevant Work Area.	Work Area Manager.
GfDSS Work Plan.	Details activities/inputs to be undertaken by GfDSS team updated regularly.	GfDSS team.
GfD Results Framework and M&L Plan.	Collates outcomes and progress markers from each Work Area and tracks progress.	Senior M&E Officer and M&E Adviser.
Risk Management Matrix.	Tool for identifying and planning risk mitigation strategies. Also used to report on risks.	GfDSS team.
Reporting		
Adviser quarterly progress reports and summary report.	The reports provide a timely description of changes occurring within the respective Work Area. Advisers report on outputs, deliverables and key results over the quarter, as well as key changes in relationships and knowledge. Advisers report against progress markers in their Work Area.	GfD Advisers with support from Senior M&E Officer and GfDSS.
GfDSS quarterly progress reports.	Data collected to monitor adviser recruitment and management, logistical support, risks, finances, and contract deliverables. This provides solid data and evidence for input level M&E.	GfDSS team.

Product	What and what for?	Responsibility
Six Monthly progress reports in each Work Area.	Key report for monitoring progress toward relationships, knowledge and development outcomes. Prepared before each R&R in each work area. Also captures data on program context changes and relationships with program partners. Provides details of the key results achieved over the six-month period as well as challenges and recommendations going forward.	Implementing teams with support from Senior M&E Officer.
Six monthly Program partner progress reports (TAF, ABS,).	Provides data to monitor progress of activities and measure progress toward agreed outcomes. The report feeds into the Redesign Workshop.	Program partners, reviewed by GfD Senior M&E Officer and M&E Adviser.
Annual GfD progress report.	Completed after each R&R based on six-monthly reports from work areas. Provides description and judgment of whole-of-program progress.	Senior M&E Officer and Adviser
AQC reports.	Part of DFAT's system for monitoring and improving the quality of Australian aid. Assessment of program adequacy against AQC criteria and description of management responses. An important input into Annual Program Performance Reports (APPRs).	Implementing Teams, GfD Canberra-based officer.
Annual Quality of Partnerships Report including findings from semi-structured interviews with GoTL partners.	Prepared before R&R workshop based on semi-structured interviews and/or questionnaires with key GoTL partners. Provides data to measure the quality and sustainability of GfD relationships.	Senior M&E Officer and M&E Adviser.
Case Studies.	Case studies capture and share the individual and collective program knowledge about key themes, areas of interest, particular successes/challenges and our theory of change i.e. not just what happened but why the changes occurred. Two to three case studies prepared in preparation for R&R workshops.	Implementing teams with support from Senior M&E Officer and Adviser.
GoTL agency reports.	GfD intends to integrate M&E with GoTL agencies where and when possible and practicable. Agency reports can be a rich source of data to support our M&E needs.	Collection and Analysis by Senior M&E Officer and Adviser.
Program completion report (end of 2017).	Captures key results, challenges, lessons learned, changes stories and management information for first phase of the program.	M&E Adviser with input from entire GfD team and program partners.
Evaluation studies and evaluation reports.	Evaluation are a key tool to assist in making summative judgments of program progress (whole of program and targeted areas).	Combination of internal and external reports, reviewed by M&E Adviser, Senior GfD staff and DFAT aid management.

2.2.4 Cross Cutting Issues

Cross-cutting activities and issues are largely integrated across program activities and through program indicators. A focus will remain on gender and people with disabilities issues throughout the life of the program and therefore the collection and analysis of related data will be ongoing. Data will be collected through all activities through disaggregation. Advisers will report any results through their quarterly progress reporting process whilst program partners e.g. TAF and ABS will also undertake this task.

There may be activities, particularly related to gender and people with disabilities that will be run as pilot projects or cross sector program activities. These activities will have specific goals, and will be monitored and evaluated against their particular objectives, with the aim of gathering information about successful (or unsuccessful) approaches that may be used to scale up activities. For example, GfD is committed to

implementing the Gender Action Plan for Timor-Leste – the specific sub-activities will be monitored, data collected, analysed and results reported on a six-monthly basis.

2.2.5 Evaluation

Evaluation of GfD program and specific areas of interest will be an ongoing feature of the MLS but during the early first phase of the program resources will be spent on primarily building a strong analytical base through targeted research into specific areas of enquiry that enable the GfD team to have a sound understanding of the context and critical issues and opportunities, specifically areas that are:

- potential for new GfD engagement;
- significant for learning for the program; and;
- require further enquiry to understand current process and dynamics.

Findings from the research and analysis will be shared internally with GfD team members and with DFAT sector program staff as a means of learning and developing a holistic approach to governance reform. Findings will be shared with program partners and stakeholders where and when appropriate.

Evaluations will be undertaken at critical junctures in program implementation to measure and validate progress and to better understand how and why the changes have occurred (or not). An end of program (Year 4) evaluation will be undertaken along with an impact assessment (overall and specific areas of interest).

2.2.6 Risk Management

GfD maintains a Risk Matrix covering fiduciary, political, relationship, managerial, environmental and security risks. The matrix and associated mitigation strategies are continuously monitored, updated as required, and reported on through the six monthly progress reporting cycle. GfDSS maintain a separate risk matrix relating to the implementation of the GfDSS contract which is reviewed and updated regularly, as a minimum with each Quarterly Report.

2.2.7 Roles and Responsibilities

Monitoring and learning, (data collection, analysis and reporting) is the responsibility of the entire GfD team. The team is supported by a part-time M&E Adviser with overall oversight of M&E and a full-time Senior M&E Officer. Data and analysis gathered over the six-monthly cycle enables GfD to adjust to situations, taking up new opportunities and changing strategies as necessary. In light of this, it is critical that the whole GfD team take an active role in data collection and analysis. Program managers are expected to draw on the range of information and data sources to be able to confidently explain their evidence based assessment of progress. GfD advisers, GoTL counterparts, and non-government partners also play a crucial role in providing information to feed into the six monthly reporting cycle.

The following at **Table 3** outlines the key M&E roles and responsibilities assigned to GfD program:

Table 3 **GFD M&E ROLES AND RESPONSIBILITIES**

Who By?	Key M&E Tasks	Products	Reporting to Whom?
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Who By?	Key M&E Tasks	Products	Reporting to Whom?
Advisers (LTA & STA).	Collect data and provide analysis on activities undertaken. Report progress against Work Area progress markers.	Quarterly progress report. Specific reports as ToR deliverables.	GfD Support Services Team and relevant Work Area Manager.
GfD Work Area Managers.	Collect data on activities, context, issues and evidence of progress towards relevant knowledge, partnership and development outcomes.	Six monthly progress reports. Stakeholder and Institution Stakeholder Snapshots.	GfD Director.
GfD Support Services Team.	Collect data on program inputs, management and performance management of advisers. Coordinate adviser reporting.	Quarterly progress reports. Input into 6-monthly progress report.	GfD Director.
Program Partners.	Preparation, implementation and management of M&E plan. Reporting results.	M&E plan. Progress monitoring reports. Relevant research, evaluation or analysis reports.	Dependent upon partner's role.
GoTL Central Agencies.	Collect data and prepare reports (activities) with support from GfD Senior M&E Officer.	Work plan. Progress reports.	GfD Work Area teams support this process and gain data when available.
M&E Adviser.	Manage the overall M&L plan. Support GfD team to implement their respective elements of the M&L plan. Manage progress reporting. Support date collection and analysis.	Overall M&E Plan. M&E Framework. Progress reports.	GfD Director.
Senior M&E Officer.	Coordinate data collection, collation and analysis. Support central agencies with M&E planning. Support quality assurance of Adviser reporting. Support the preparation of qualitative data e.g. change stories, interviews.	Activity tracking report. Progress marker tracking report Case Studies. Adviser and activity report analysis.	GfDSS Deputy Director – Operations.
DFAT Country Aid Management (P&Q team).	Assess M&E plans from the various sub-programs against the standards. Support M&E implementation.	Assessment reports.	HOM, Dili Post.

3. M&E Budget

Budget allocation to Monitoring and Evaluation of GfD Program activities is made each financial year. This allocates funding for adviser support, currently through the services of a contract STA, the salary of a locally engaged Senior M&E Officer on a fulltime basis and costs associated with regular programmed evaluation meetings such as the redesign workshop and ad hoc meetings that focus on the overall direction of the GfD program.

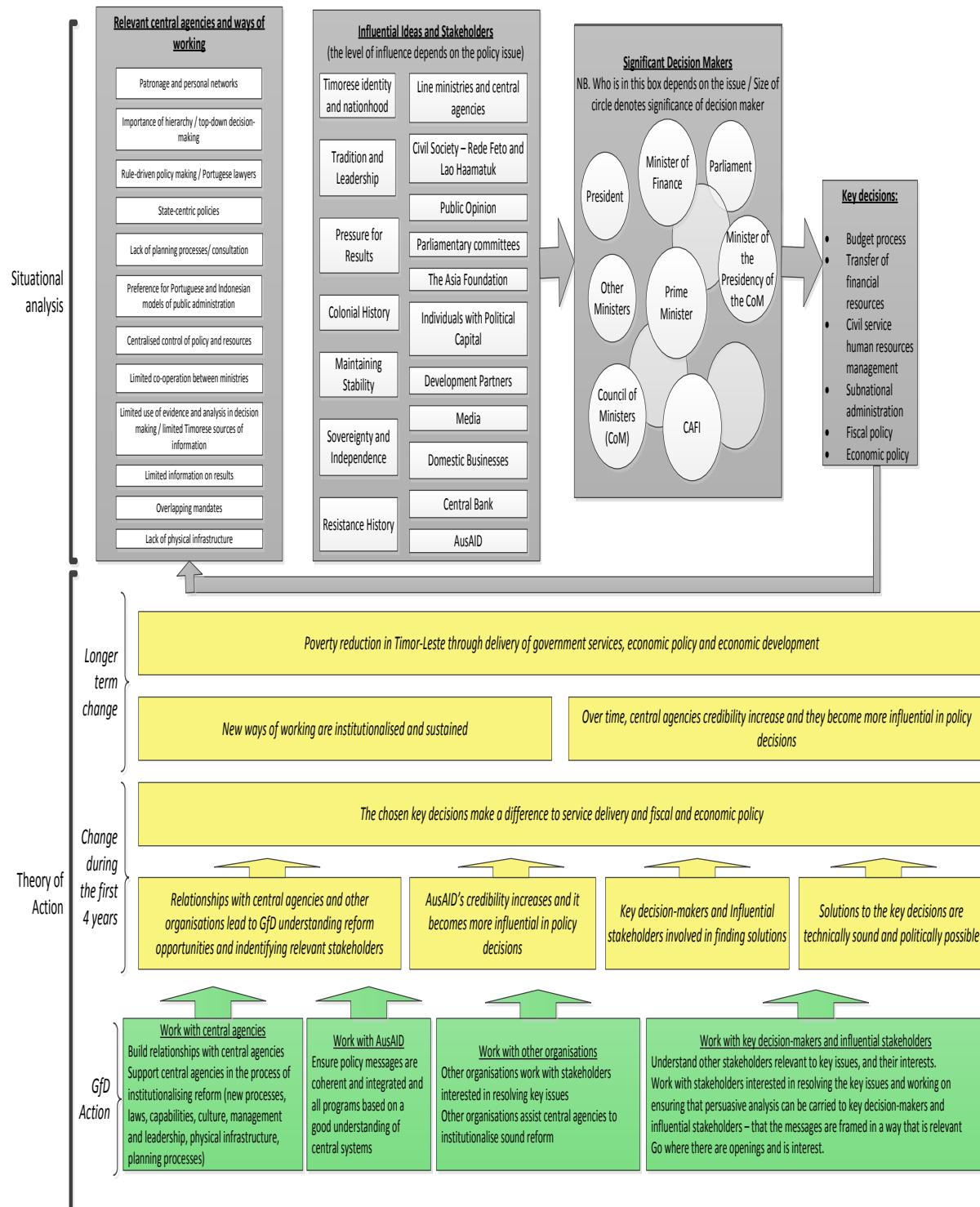
Table 4 below gives indicative budget figures across the 2014 – 2017 period;

Table 4 GFD M&E BUDGET 2014 – 2017

Activity	2014/15	2015/2016	2016/17
Monitoring and Evaluation Adviser - STA	\$60,000	\$30,000	\$30,000
Senior Monitoring and Evaluation Officer - LES	\$35,000	\$40,000	\$40,000
Annual Redesign Workshop	\$30,000	\$30,000	\$30,000
6 monthly Mini-Redesign Workshop	\$2,500	\$2,500	\$2,500
Ad-hoc Meetings and Workshops	\$2,500	\$2,500	\$2,500
Total	\$130,000	\$105,000	\$105,000

NB – The figures are for illustrative purposes only and do not reflect actual budget estimates or commitments made across the program.

ANNEX 1 – GfD THEORY OF CHANGE



ANNEX 2 – WORK AREA STRATEGIES

GfD Work Area Strategy - Public Financial Management

1. Rationale

1.1 Why support public financial management? Defining the problem

Effective public financial management (PFM) is at the heart of good governance. Indeed, as mentioned in the draft Governance Strategy, “... there are many definitions of governance, but all refer to how power and authority are used to manage a country’s resources...”.

PFM aims to achieve three outcomes (adapted from Schick, 1998):

Table 1.1: Basic Elements of Public Expenditure Management

Aggregate Fiscal Discipline	Budget totals should be the result of explicit, enforced decisions; they should not merely accommodate spending demands. These totals should be set before individual spending decisions are made, and should be sustainable over the medium-term and beyond.
Allocative Efficiency	Expenditures should be based on government priorities and on effectiveness of public programs. The budget system should spur reallocation from lesser to higher priorities and from less to more effective programs.
Operational Performance	Agencies should produce goods and services in a manner that is economic, efficient and effective.

The key problems inhibiting reform in this area:

- Fiscal sustainability
- Payment system
- Budget proposal
 - Economic policy – revenue budget decision
 - Public expenditure, public revenue – how much expenses (non-oil revenue is only 10%)
- Tax basis – encourage
- Decentralization is a high priority for GoTL (we need to go with the grain on this) – having a proper payment in place (timing, complexity of payment process)
- The budget is executed in not a technical manner – double hit of effectiveness

The extent to which these outcomes are achieved will largely determine the extent to which government services: (i) are sustainable; (ii) are appropriately prioritised within the country’s finite resource pool; and (iii) represent value-for-money (by “value-for-money”, we mean maximising the extent to which (a)

budgets procure high-quality inputs; (b) inputs are delivering high-quality outputs; and (c) outputs are effectively contributing to the desired outcomes).

Many aspects of Timor-Leste's PFM systems are still developing and there are challenges in all three above-mentioned areas of PFM that we can realistically help the GoTL to address, which in turn will improve service delivery. Aggregate fiscal discipline is especially relevant in Timor-Leste, which is currently dependent on non-renewable oil and gas revenues, with no significant tax base. Like most developing countries, infrastructure in Timor-Leste is typically not well maintained (e.g. see draft infrastructure PER), and there are opportunities to address this by working on allocative efficiency issues, e.g. encouraging Line Ministries (LMs) and MoF to use forward estimates as a planning tool and helping to improve budget credibility by looking at, e.g., sub-category fungibility issues. Operational performance is generally considered weak (e.g. see Laing (2014), Health Fiduciary Risk Analysis). Government does not set the value for money from budget allocation.

1.2 What achievements can reasonably be expected?

- Ensuring effective functioning of institutions in order to promote sustainable economic development and better delivery of services.
- GoTL agencies to make informed economic decision-making to promote fiscal sustainability and policy coherence. More consultative, effective governance will unblock constraints to better services in communities. Attention to the entire service-delivery chain, from staffing and procurement to the planning, coordination, budgeting and tracking of services.

All of the achieved outcomes will improve operational performance.

[from DBS AQC document – page 6-7]

While outcome A has not changed since the program commenced in mid-2014, the specific PFM reforms that the program should aim to influence under outcome B via “high priority KPIs” have been refined in early 2015 taking into account the priorities of the VI Constitutional Government and following extensive discussions with MoF and independent PFM experts.

Outcome B (2) will help to improve allocative efficiency and aggregate fiscal discipline. This outcome is the most ambitious and most challenging reform but also offers the greatest potential return: the potential for Timor-Leste to move towards outcomes or outputs-based budgeting (consistent with the GoTL's priorities), make budgetary decisions on the marginal changes associated with new policy proposals - rather than zero-based budgeting every year - and establish a fully operational forward estimates model.

The many benefits associated with this include (inter alia): (a) improved quality of aggregate forward expenditure estimates - which will give a much better sense of fiscal sustainability and help the GoTL to respond to any impending budget emergencies several years in advance rather than the year before; (b) improved budget predictability for LMs - which will help LMs to plan, enter into multi-year commitments with confidence and, in general, adopt a multi-year perspective; (c) improved efficiency of the budget decision-making process - once BRC makes a decision which affects future years, it is not required to make that same decision in the next budget process - the decision is “locked in”; (d) improved operational performance - over time more powers are devolved from MoF to the LMs; (e) fiscal transparency –

citizens and markets are much better informed in relation to the government's future expenditure plans. The shift to outcomes-based budgeting explicitly makes LMs accountable for results (instead of, for example, how many pencils they might buy). The budget then becomes a true policy-making process whereby the GoTL assesses trade-offs and "purchases" outputs / outcomes from LMs. At the same time as this happens, the focus shifts away from ex-ante towards ex-post controls (internal audits), so it is critical that the internal audit function is working effectively – hence outcome B(7). It is also critical that mechanisms are in place for LMs to report back on their achievements - typically via publicly released Annual Reports.

Outcomes B (3) and B (4) will also help to improve aggregate fiscal discipline (and encourage non-oil GDP growth).

1.3 Where does our intervention fit into the broader reform process?

- Government has a fiscal framework that supports sustainable government finances, economic growth and meets social needs [Aggregate Fiscal Discipline And Allocative Efficiency];
- The government makes decisions about economic policy that supports sustainable government finances, economic growth, and meets social needs [Aggregate Fiscal Discipline And Allocative Efficiency];
- Central agencies have a budget process that supports improved access to services [Operational Performance]; and
- Central agencies' systems support the timely and reliable transfer of financial resources to service delivery managers [Operational Performance].

1.4 What are the binding constraints to reform and political economy considerations?

- Competition between donors – conflict of duplication – donor to donor relationship;
- Politic of the politics – e.g. HRMS and FMIS (make sure they are talking to each other);
- Political relationship;
- Rigidity of the system – corruption, incompetence;
- Donor-to-donor relationships and partnerships;
- The extent to which GfD program can adapt to the context of TL including culture particularly the importance of traditional social structures and behaviours; and
- Leadership style and ability to see the "bigger picture".

The MoF planning and performance management framework has strong support from the current Finance Minister and from the Prime Minister as well. In addition, we believe that the framework is sufficiently institutionalised to withstand many changes in the political landscape.

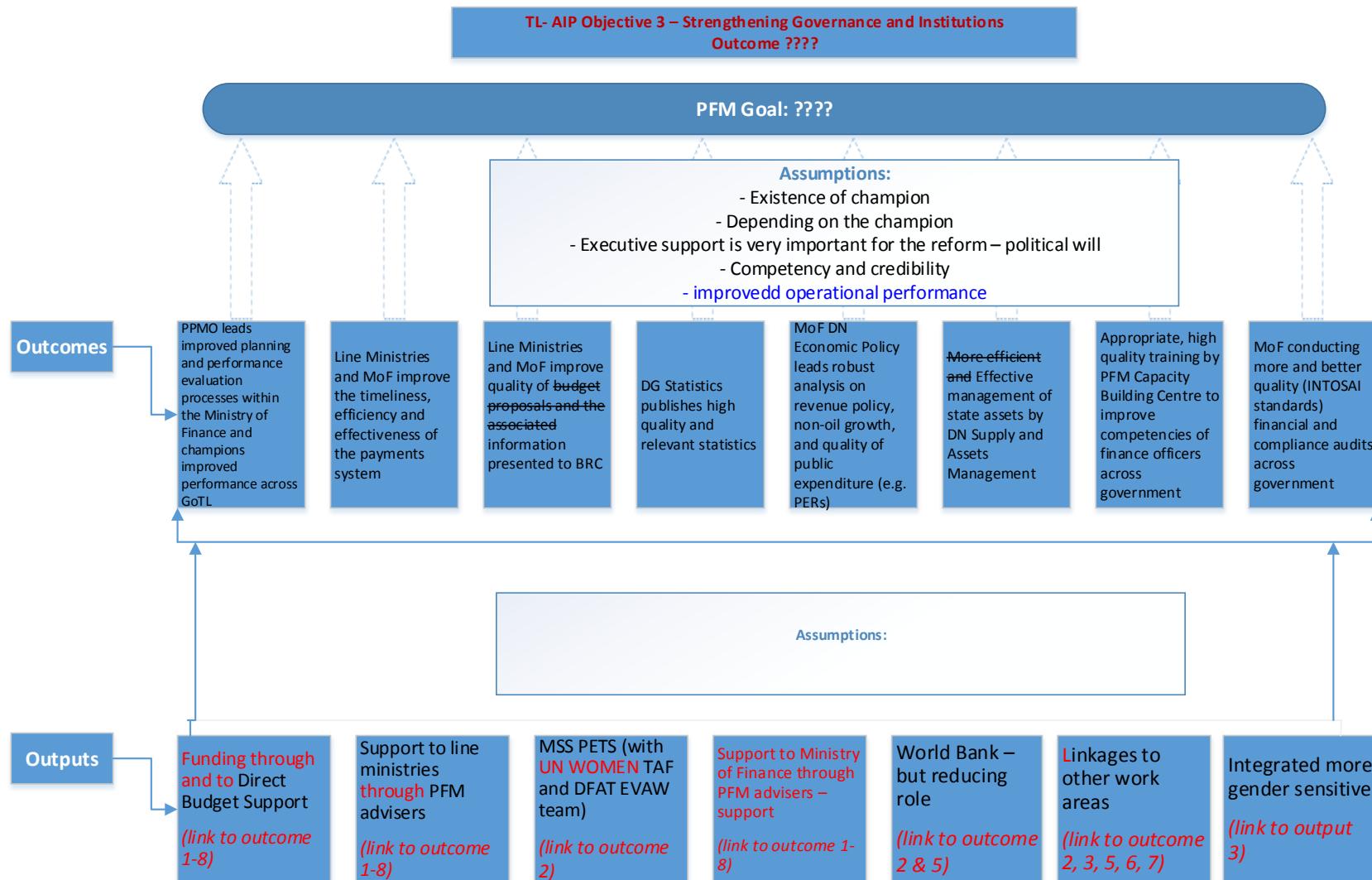
1.5 Who are we working with? Individuals and organisations or both? Why?

- We are working with individuals in MoF, MoH and MSS;
- PFM working group;
- Working with system and processes to encourage behaviour change;
- Individual working together bring institutional change; and;
- Fostering relationship between MoF – LMs.

1.6 What are the assumptions underpinning how change happens?

- MoH - Existence of champion;
- Depending on the champion;
- Executive support is very important for the reform – political will;
- Building competency will improve efficiency and is necessary but not sufficient to improve effectiveness (effectiveness also depends on how well tasks are aligned to the strategic objectives);
- Providing credible advice including credible process for verifying that the 5-year plan is being achieved;
- Relationship - Staff in the program build the relationship across the LMs – to improve the communication;
- DFAT is contributing to the process by supporting the development of realistic (right level) targets and work plans;
- What is in the 5-year plan gets done; and;
- GoTL does not attempt too much reform at the same time.

2. Overall Strategy Table



3. Outcomes Table

Goal: Aggregate fiscal discipline (link sub-obj. 2 – outcome 1), Allocative efficiency (link outcome 3 of sub-obj. 1) Economic, efficient, and effective service delivery (link to Obj. 3 – sub-obj. 1 – outcomes 1-3).			
Outcomes Year 4	Progress Markers		
	Year 3 	Year 2 	Year 1 
Planning Performance Management Office (PPMO) leads improved planning and performance evaluation processes within the Ministry of Finance and champions improved performance across GoTL.	<p>The quality of MoF's rolling five year plan improves each year (annual targets are "SMART" and aligned to strategic objectives).</p> <p>The upcoming year of MoF's five year plan informs their Annual Action Plan and feeds into the budget process.</p> <p>Over time MoF's rolling five year plan is linked to forward estimates and informs MoF's internal budget allocation process.</p> <p>The quality of MoF's semi-annual evaluation process improves.</p> <p>Findings of the evaluation process are provided to the Finance Minister and acted upon - including decisions around how the budget support funding will be allocated.</p>	<p>The quality of MoF's rolling five year plan improves each year (annual targets are "SMART" and aligned to strategic objectives).</p> <p>The upcoming year of MoF's five year plan informs their Annual Action Plan and feeds into the budget process.</p> <p>Over time MoF's rolling five year plan is linked to forward estimates and informs MoF's internal budget allocation process.</p> <p>The quality of MoF's semi-annual evaluation process improves.</p> <p>Findings of the evaluation process are provided to the Finance Minister and acted upon - including decisions around how the budget support funding will be allocated.</p>	<p>The quality of MoF's rolling five year plan improves each year (annual targets are "SMART" and aligned to strategic objectives).</p> <p>The upcoming year of MoF's five year plan informs their Annual Action Plan and feeds into the budget process.</p> <p>Over time MoF's rolling five year plan is linked to forward estimates and informs MoF's internal budget allocation process.</p> <p>The quality of MoF's semi-annual evaluation process improves.</p> <p>Findings of the evaluation process are provided to the Finance Minister and acted upon - including decisions around how the budget support funding will be allocated.</p>
LMs and MoF improved the timeliness, efficiency and effectiveness of the payments system. (Improved efficiency and effectiveness of the payments system).	<p>MoH</p> <p>Number of invalid payment requests decreases each year (MoH is aiming for a 2% rejection target)</p> <p>Improved understanding of payment processes. MoH assesses and maintains information appropriately and makes payments based on good practice, good records systems etc.</p> <p>MoF</p> <ul style="list-style-type: none"> ▪ Improved timeliness in the processing of valid payment requests ▪ Understanding the reasons for invalid payment requests ▪ Reduced number of invalid payment requests ▪ Etc. (see indicators from MoF Strategic Plan) ▪ LM stuff: clear understanding of payment 	<p>MoH</p> <p>Number of invalid payment requests decreases each year (MoH is aiming for a 2% rejection target)</p> <p>Improved understanding of payment processes. MoH assesses and maintains information appropriately and makes payments based on good practice, good records systems etc.</p> <p>MoF</p> <p>TBC</p>	<p>MoH</p> <p>Number of invalid payment requests decreases each year (MoH is aiming for a 2% rejection target).</p> <p>Improved understanding of payment processes. MoH assesses and maintains information appropriately and makes payments based on good practice, good records systems etc.</p> <p>MoF</p> <p>Average processing time for valid payment requests improves each year.</p> <p>Number of invalid payment requests decreases each year.</p> <p>Pilot decentralisation of the expense voucher (EV) and goods receipt voucher</p>

	<p>process. For LMs where decentralised, they assess and maintain information appropriately and make payments based on good practice, good records systems etc.</p>		(GRV) process to LMs.
LMs and MoF improve quality of presented to BRC. [The Budget Review Committee (BRC) receives relevant, comprehensive, accurate and timely information so it can make performance-informed budget decisions, using a fully operational rolling forward estimates model]	<p>Quality and comprehensiveness of budget submissions improves over time:</p> <ul style="list-style-type: none"> ▪ still an inputs-based budget, but now performance-informed – BRC considers both financial and non-financial data when making decisions, not just execution rates for previous budgets ▪ new policy proposals are: <ul style="list-style-type: none"> ○ Explicitly identified, including the goals, linkages to sector strategies and the SDP (where relevant) and there is analysis on the likely impacts of the new policy in terms of gender and other cross-cutting issues. ○ Accurately costed, and costings take into account both impacts in coming budget year and in forward years, esp.in relation to O&M for proposals for new infrastructure. <p>Where new policies are approved forward year impacts are then properly factored into the Forward Estimates (FEs) in FreeBalance</p> <p>FEs roll over each year in FreeBalance and are considered by BRC when looking at budget proposals.</p> <p>MoF providing TA to LMs during budget submissions.</p>	TBC	<p>Improved budget submission on time consistent with templates</p> <p>There are several possible paths to get the forward estimates ball rolling in Timor-Leste</p> <p>The path that appears to be most promising at the moment – but is still being discussed with MoF and independent PFM experts (including Malcolm Holmes who established the forward estimates model in Australia in the 1980s) – is as follows. At the start of the budget preparation process in a given year (possibly in 2016 for the 2017 budget – still being discussed), for the first time:</p> <p>(I) MoF rolls over the forward estimates then determines the aggregate “base” expenditure for the coming year based on the rolled over FE1.</p> <p>(ii) The aggregate “base” expenditure is then compared to the desired total ceiling for public expenditure in the coming year. The difference (“fiscal gap”) then becomes the space for budget proposals – the “base” expenditure is considered locked in.</p> <p>(iii) In accordance with GoTL’s priorities for the coming year, after the Yellow</p>

			<p>Road Workshop, MoF invites relevant LMs to submit New Policy Proposals (NPPs) to BRC within the ceiling of the “fiscal gap”. These NPPs include estimates for both the coming year and forward years, take into account O&M for new capital proposals and are reviewed by MoF, information on what outputs the additional funding will purchase, likely impacts in terms of cross-cutting issues such as gender, environment, etc.</p> <p>(iv) BRC considers the NPPs. If an NPP is approved, the budget for the coming year is adjusted appropriately AND the forward estimates are updated in Free Balance.</p> <p>(v) This cycle then repeats every subsequent year.</p>
DG Statistics publishes high quality and relevant statistics.	The quality of this analysis will depend (inter alia) on the quality of data collected by DG statistics (see outcome 4).	TBC	<p>Census</p> <p>DFAT is also providing support to DG Statistics under a MoU with the ABS.</p>
MoF DN Economic Policy leads robust analysis on revenue policy, non-oil growth, and quality of public expenditure (e.g. PERs). [Improved economic analysis and dialogue re revenue policy, non-oil growth and the quality of public expenditure]	MoF extend services to LMs over time.	TBC	<p>This will require close cooperation between DN Economic Policy in MoF and the Coordinating Ministry of Economic Affairs. DFAT's country economist has been seconded to the Coordinating Ministry, so we are well placed to facilitate this relationship building.</p>
Effective management of state assets by DN Supply and Assets Management.	MoF extend services to LMs over time.	TBC	<p>See current progress markers in the 2015-2019 five year plan; at the moment the focus is on improving the management of state cars but the markers will be extended to cover other assets as roles and responsibilities become clearer.</p>

<p>Improved PFM capacity in MoF and in LMs.</p>	<p>MoH</p> <p>Expand the number of trainers trained.</p> <p>Produced training materials including presentations assessment modules and manuals.</p> <p>Designed and implemented training courses to improve PFM capacity in MoH Finance staff in line with MoF competency standard.</p> <p>Ensured sustainability of training program.</p> <p>MoF</p> <p>TBC</p>	<p>MoH</p> <p>Expand the number of trainers trained.</p> <p>Produced training materials including presentations assessment modules and manuals.</p> <p>Designed and implemented training courses to improve PFM capacity in MoH Finance staff in line with MoF competency standard.</p> <p>Ensured sustainability of training program.</p> <p>MoF</p> <p>TBC</p>	<p>MoH</p> <p>Established group of Finance Trainers in MoH.</p> <p>Produced training materials including presentations assessment modules and manuals.</p> <p>Using MoF examination established baseline competency of MoH finance staff.</p> <p>Designed and implemented training courses to improve PFM capacity in MoH Finance staff in line with MoF competency standards.</p> <p>MoF</p> <p>Primarily via training conducted by PFM Capacity Building Centre.</p> <p>Finalise the PFM competency framework for all government officials (not just officials in MoF).</p> <p>Run the PFM exam for all government officials in May 2015 (excluding DG Stats and some other specialised areas).</p> <p>Establish a baseline for PFM skills using the results of the PFM exam.</p> <p>Develop training programs that target the skills gap.</p> <p>Implement the training programs and conduct regular follow-up testing to assess progress.</p> <p>DFAT is funding an adviser working within PFMCBC to assist this work. The adviser is currently funded out of GfD, but in the future will probably be funded by the budget support program (subject to formal MoF approval).</p>
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Improved quality of internal audits.	TBC	TBC	Encourage compliance with INTOSAI and other international standards Strengthen internal audit function within MoF to begin with, but by 2019, support MoF's internal audit section to establish effective internal audit functions within LMs.
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4. Outputs Table

Output	Brief Description	Y1	Y2	Y3	Y4
Direct Budget Support <i>(link to Outcome 1-8)</i>	Mentoring PPMO to lead planning and performance evaluation system Independent evaluation of performance against KPIs (noting that PPMO role in this will increase over time). Facilitation of discussions with GoTL about expanding scope of DBS beyond MoF – to other central agencies, or even LMs e.g. MoH. Capacity building support.	X	X	X	X
Support to LM (through PFM advisers) <i>(link to Outcome 1-8)</i>	Currently: <ul style="list-style-type: none">▪ Recruitment, role definition, support and oversight of PFM Adviser in Health.▪ Facilitation of sharing and cross-learning between sector program PFM advisers under the PFM Working Group.▪ Capacity building support. Over time: <ul style="list-style-type: none">▪ More active role re PFM Advisers to Public Works (and MSA?) – akin to current role in MoH (if MoF workload diminishes or more resources are available).▪ Facilitation of more purposeful coordination through the PFM Working Group (or other mechanism), framed around particular issues and events e.g. budget submissions.	X	X	X	X
MSS PETS (with UN WOMEN) <i>(link to Outcome 2)</i>	Technical advice on scoping and implementation of PETS. Advocate/raise issues with MoF that raised by the PETS; and provide advice to TAF to support follow-up actions in MSS (within resource constraints)	X	X	X	X
Support to MoF (through PFM advisers) <i>(link to Outcome 1-8)</i>	Preferably these will fold in under DBS over time.	X	X	X	X
Linkages to other work areas <i>(link to Outcome 2, 3, 5, 6, 7)</i>	Improvements in statistics is a precondition to more robust analysis. MoF to contribute to decentralisation/deconcentration agenda. Role of MoF in this will become better defined as the model becomes clearer.	X	X	X	X

GfD Work Area Strategy – Deconcentration/Decentralisation

1 Rationale

1.1 Why support Deconcentration/Decentralization? Defining the problem

Budgets are centralised and difficult to get money to the local level with central agencies and Line Ministries (LMs) in Dili reluctant to hand over resources (budgets) and power. Financial processes are not designed to cater for local level implementation. A range of bottlenecks reduce the quantity of public services delivered:

- Coordination is partial and fragmented – financial, legal, administrative, accountability;
- Districts unable to make decisions without coming back to Dili;
- District coordination issues between Ministry of State Administration (MoSA) district administrator office and LMs' local offices;
- PFM system does not give enough delegation to the district LM officials. Partly this is due to MoF's PFM framework, partly agencies who want to hold on to programming decisions in Dili;
 - District allocations and financial accountabilities come back to Dili (LM HQ and MoF).
 - Result: districts just manage petty cash, have to return to Dili because goods and services centralised.

Deconcentration/decentralisation provides an opportunity to support work on these issues. Decisions made in Dili by those unaccountable compounded by a lack of local coordination, sectors not working together and development not integrated.

The GoTL Constitution requires that there is local government but decentralisation has been attempted many times before but faced significant barriers including:

- Corruption, failures;
- Acknowledgement that capacity was too low before. View that weren't ready for it at the local level;
- More recently progress constrained by;
 - Poor management of the policy process (wrong people),
 - Political uncertainty; PM not driving it actively (does he know what he wants),
 - Poor service delivery,
 - Budget accountability (become problem – opportunity for corruption), and
 - Waste and inefficiency (budget).

1.2 What is the scope of intervention?

PFM policy and implementation support

- Support the establishment of a monitoring system;
- Support municipal administration in managing implementation financial system;
- Drafting of the financial law for deconcentration/procurement law; drafting financial operations manual for users;
- Supporting the reallocation of fiscal envelopes from sub-national LM budgets to sub-national municipal administrations;
- Budget preparation 2016;
- Municipal FMIS – design and configuration (drop in diagram from Simon's report) – interim and long-term;
- Training of municipal finance and procurement staff (system, technical areas such as procurement);
- Asset management and transfer of assets (from LMs to Municipal administrations); work training to implement whatever system is used.

HR support/CSC/PNDS

- Support the development of a workforce/staff profile;
- Transfer of LMs staff;
- Allocation of staff;
- Preparation of job descriptions;
- Thinking through and developing reporting lines and accountabilities.
- Functional assignment support/decentralisation policy advice

1.3 What achievements can reasonably be expected?

- Deconcentration System designed (2-3 months);
- Finance law passed (approved the public transfers);
- Budgets reallocated from LMs to municipal administrations
- Finance manual approved;
- Procurement law passed fit for purpose for local municipalities circumstances;
- Interim FMIS designed by August (in collaboration with MoF) – final FIMS designed by mid-2016 to mid-2017 (MoF);
- Deconcentration system implemented;
- Negotiation between LMs with MoF and MoSA (2016 budget)
 - Budgets reallocated from LMs to municipal administrations;

- Political/High level leadership to force LMs to give up resources;
- Needs based allocation to each of the deconcentrated sector areas e.g. Health in Ermera etc.
- Recruitment/transfer of staff (working with and through CSC);
- Training of municipal finance, procurement and HR staff (system, technical areas such as procurement);
- Municipal sub-units (e.g. health) can access FMIS, use it to manage funds, put in requests, get financial information about spending
- Long-term FMIS
 - Prepared functional and technical specifications;
 - Started a tender process for municipal FMIS or replacement of Freebalance (procurement, design, implement).
- Assets reallocated/transferred;
- 2016 staffing profile prepared and included in the budget.
- Overall policy (PFM, HR)
 - Progress markers: by 2016 MoSA has policy setting;
 - Needs based allocation of resources in the longer term linking funding and function;
 - Revenues for local municipalities addressed;
 - Capacity building strategy for municipalities.

Precondition questions to achieving the above:

- Who are the key senior staff at MoSA and what are their intentions?
- Is the proposed government decree on competency implemented?
- Are relevant budgets for districts identified and transferred from LMs e.g. Health and Education to MoSA?

1.4 Where does our intervention fit into the broader reform process?

Aligns with the reform topic of using central agencies' systems to support the timely and reliable transfer of financial resources to service delivery managers and to MoSA sub-national systems support service delivery.

- Decentralise MoF spending delegations (early stage – e.g. less use of acquittals; placing LMs accountable, rather than centralising everything);
- CSC reforms to hand over more competencies to the LMs (early stage);
- Decentralised management of PNDS and PDID;

- PFM capacity building centre - support of financial management across the whole government including municipality staff.

1.5 What are the binding constraints to reform and political economy considerations?

Key political issue is that various forces within the MSA severely complicate engagement on deconcentration/decentralisation. Some context:

- Decentralization is hard – complex reform involving many stakeholders with competing interest;
- Counterpart responsibility is unclear and lack of division between DGs;
- DG Abillio Caetano is the key operational counterpart;
- Nuno, a Portuguese lawyer is powerful and influential with the Vice Minister (VM) of State Administration;
- The VM has led the policy process so far without closely advising the Minister;
 - VM is a close friend of PM and part of CNRT, and right hand man of the PM in decentralisation;
 - VM influenced more heavily by his legal adviser than the DG;
- There has been poor coordination within the ministry, with other central agencies and with LMs;
- Communication has been poor;
- Other Secretaries of State are not engaged and the rest of the ministry is under engaged;
- There are political differences within MoSA between the Minister, VM and the other Secretary of State.
 - Legal adviser wants to have control, including over other advisers to the DG;
 - Doesn't let DG make decisions; have to wait on VM and legal advisers;
- No clear information on PDA pilot outside MoSA because of these communication, relationship issues.

1.6 Who are we working with? Individuals, institutions and both? Why?

GfD is working primarily with the institution. For PDA, individuals are very important in the policy discussion, so we need to work closely with the individuals. Informal approach is mainly how progress has been made by focusing on bringing groups/individuals together. Limited formal approach (e.g. MoF and MoSA workshop)

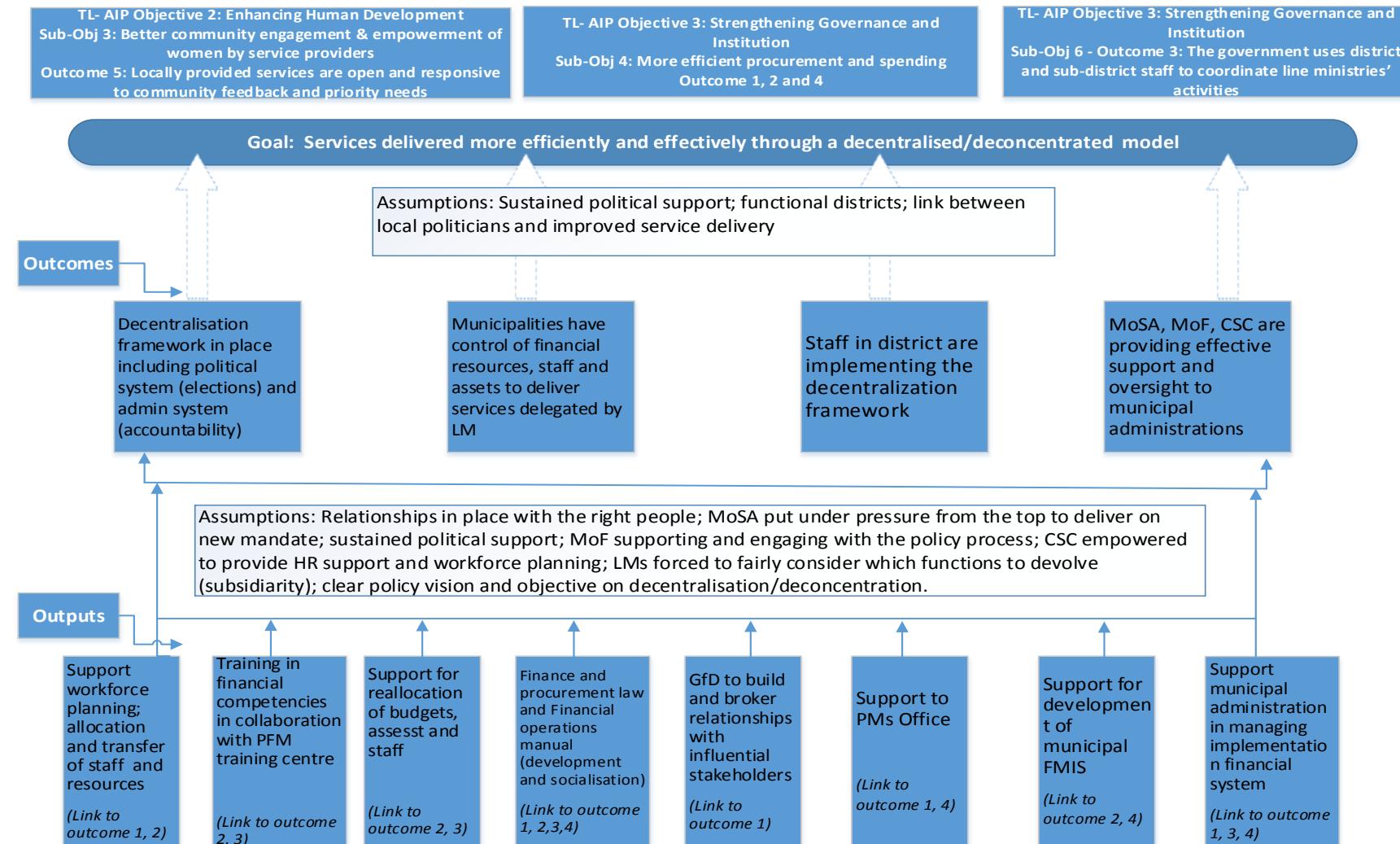
- Trying to work with the ministry (institutions), but highly dependent on the individuals leading the institution;
- Relying on key individuals to go and stay e.g. PFM work can only progress if DG Miguel is leads. Hard to progress with MoF without Miguel;

- Can it progress with the current leadership? Likely not to progress. But if it is a PM priority, can it progress under the current leadership? Probably not. Is it worth putting donor resources in then? If PM takes a unilateral decision on competencies and pushes MoSA to take it forward, then poorly implemented and designed process. Would we stay in? Particularly if there are budgets reallocated;
- Will outside pressure have an impact? E.g. MoF. No, it doesn't care.

1.7 What are the assumptions underpinning how change happens?

- MoSA is put under pressure from the top to deliver on new mandate;
- MoF is supportive and engaging with the policy process;
- CSC is empowered to provide HR support and workforce planning;
- LMs forced to fairly consider which functions to devolve (subsidiarity);
- There is a clear policy vision and objective on decentralisation/deconcentration.
 - policy becomes clearer (are there entry points to shape the policy at this point?)
 - output: support to PM's office on decentralisation
 - the right people are involved to drive it
 - there is progress
 - high levels of government (PM) showing interest
- Government agencies engaged and committed;
- There is sustained political support for Deconcentration/decentralisation;
- Districts are capable of functioning and implementing changes;
- Local politicians understand and commit to improved service delivery.
- Relationships are in place with the right people to influence positive change;
- The right functions that can implemented being picked;
- Good district managers – good leadership.

2 Overall Strategy Table



3 Outcomes Table

Goal: Services delivered more efficiently and effectively through a Decentralised/Deconcentrated model			
Outcomes Year 4	Progress Markers		
	Year 3 	Year 2 	Year 1 
1. Decentralisation framework in place including political system (elections) and admin system (accountability).	<p>Adjustment to the decentralisation framework based on lessons from implementation.</p> <p>Adjustment of FMIS and guideline and rules.</p>	<p>Adjustment to the decentralisation framework based on lessons from implementation.</p> <p>Permanent FMIS is designed and implemented.</p> <p>MoSA begins policy on how funding will be link to functions and what local revenues will be collected by local municipalities.</p> <p>MoSA has a capacity building strategy for municipalities that links to their functions.</p>	<p>Finance law passed (approved the public transfers).</p> <p>Budgets reallocated from LMs to municipal administrations.</p> <p>Finance manual approved.</p> <p>Procurement law passed fit for purpose for local municipalities' circumstances.</p> <p>Interim FMIS designed by August (in collaboration with MoF) – final FIMS designed by mid-2016 to mid-2017 (MoF).</p>
2. Municipalities have control of financial resources, staff and assets to deliver services delegated by LM.	Fund continued to be allocated to municipalities in 2018 budget.	Fund continued to be allocated to municipalities in 2017 budget.	<p>Negotiation between LMs with MoF and MoSA (2016 budget).</p> <p>Budgets reallocated from LMs to municipal administrations.</p> <p>Development of a workforce/staff profile for municipalities.</p> <p>Transfer of LMs staff.</p> <p>Developing of reporting lines and accountabilities.</p>
3. Staff in district are implementing the decentralization framework.	<p>Numbers of ongoing training of staff take place.</p> <p>Budget execution is at least 85%.</p> <p>Financial management information system is used for executing municipal budget.</p> <p>Quarterly financial report submitted and certified by joint monitoring team enabling the constant flow of funds to municipalities.</p> <p>75% of municipalities received unqualified audit opinion reports.</p>	<p>Numbers of ongoing training of staff take place.</p> <p>Budget execution is at least 70%.</p> <p>Financial management information system is used for executing municipal budget.</p> <p>Quarterly financial report submitted and certified by joint monitoring team enabling the constant flow of funds to municipalities.</p> <p>50% of municipalities received</p>	<p>Training need analysis of staff.</p> <p>Training of municipal finance, procurement and HR staff (system, technical areas such as procurement).</p>

		unqualified audit opinion reports.	
4. MoSA, MoF, CSC are providing effective support and oversight to municipal administrations.	Financial monitoring framework is and procedures are implemented and adjustments to them are been made to reflect lessons from year 2. MoSA, MoF and CSC have (i) Identified poorly performing municipalities or sections and have responded and (ii) begun work on linking performance to financial expenditures.	Implementation of financial monitoring framework and procedures.	Established financial monitoring framework and procedures. Government allocate staff to monitoring divisions in MoF and MoSA. Numbers of trainings on financial framework conducted.

4 Outputs Table

Output	Brief Description	Y1	Y2	Y3	Y4
Support workforce planning; allocation and transfer of staff and resources. (Link to Outcome 1, 2)	CSC assists MoSA identify staffing needs, draw up staffing structures reflecting the allocation of responsibilities and that fits within the available budget. MoSA develops a plan to implement the structures. MoSA develops a plan to transfer non-staff resources and assets to municipalities, reflecting the allocation of responsibilities.	X	X		
Training in financial competencies in collaboration with PFM Training Centre. (Link to Outcome 2, 3 and 4)	MoSA/MoF provides training in the financial system devised by MoSA/MoF. Training centre and MoSA deliver training to municipal finance team staff.	X	X		
Support for reallocation of budgets, assets and staff. (Link to Outcome 2, 3)	MoSA /MoF and LMs reallocate budgets, assets and staff as part of the 2016 budget process.	X			
Finance and procurement law and Financial operations manual. (development and socialisation) (Link to Outcome 1, 2, 3, 4)	Finance and procurement law is developed by MoSA and MoF, consistent with other laws. The law is socialised across GoTL relevant agencies by MoSA/MoF.	X	X	X	
GfD to build and broker relationships with influential stakeholders. (Link to Outcome 1)	GfD uses resources and networks with MoF, PMO, MoSA and CSC to support and prioritise decentralisation process	X	X	X	X
Support to PMs Office. (Link to Outcome 1, 4)	PM's office staff support and prioritise the decentralisation process.	X	X	X	
Support for development of municipal FMIS. (Link to Outcome 2, 4)	A FMIS or system that can be utilised in municipalities is developed by MoF and MoSA.	X	X	X	
Support municipal administration in managing implementation of financial system. (Link to Outcome 1, 3, 4)	MoF and MoSA support municipalities and LMs in rolling out and socialising the municipal FMIS or other system developed to manage finances.		X	X	X

GfD Work Area Strategy - Human Resource Policy Governance Framework in Public Sector Reform

1 Rationale

1.1 Why support Human Resource Policy Framework in Public Sector Reform? Defining the problem

- Rapid growth of the public service – is the growth in the right places, balanced and affordable?
- Ministry Organisation Structures do not align with Ministry Mandates – are Ministries properly positioned to deliver effective public services?
- Weak workforce planning systems and lack of skills based recruitment/promotion – does GoTL have the right people with the right skills in the right places?
- Capability of central agencies to support GoTL (and GfD?) strategic priorities – is CSC well positioned to be the key employer body for the civil service?
- Line Ministries take responsibility for implementing central agency driven reforms – do line Ministries have the technical capacity to do this?
- Willingness of key central agencies work closely and collaboratively on cross-cutting reform issues – can CSC build effective and influential relationships with INAP, State Administration, MoF?
- INAP is not responsive to the training needs of the broader civil service – are civil servants receiving the right type of training at the right time in their careers?

Key Civil Service Commission Policy Issues:

- HRM Governance framework for Civil Service (includes laws, policies, procedures, guidelines) – Establishment Management, Job Design, Recruitment and Selection, Performance Evaluation, Conduct and Discipline;
- Terms and Conditions for Civil Servants – Career Regimes, Remuneration and Allowances, Pensions; and;
- Human Resource Development (HRD) is aligned with changing needs of the civil service – Induction, Leadership and Management, Corporate Planning, Supervision and Performance, Selection Panels, Human Resource Management, Financial Management.

Key INAP Issues:

- INAP organisation structure and leadership;
- Capability of trainers to develop, review and update training programs;
- Training facilitation skills; and;

- INAP courses not aligned with civil service training requirements.

1.2 What achievements can reasonably be expected?

The achievements of this Work Area are inextricably linked to the CSC functioning and delivering on its mandate. The overall intent is to support the CSC to achieve their outcomes. Through understanding the context, continuing to build and strengthen partnership and collaborate on prioritising development outcomes we expect to achieve (but not limited to) the following:

- GoTL has a HR policy framework that line ministries understand and can independently manage by the end of 2015;
- Line Ministries lead and manage recruitment of their staff and this is undertaken on an ongoing basis;
- GoTL considers a remuneration framework that meets the specific needs of each agency by the end of 2015;
- INAP has a clear framework and a clear plan for the structure, policy and approach to training, and has objectives for the training it provides or facilitates;
- CSC is a functioning organisation with good management and leadership;
- Capacity of the civil service HR systems and people are strengthened; and;
- Civil service legislations regulations are reviewed according to the government policy.

1.3 Where does our intervention fit into the broader reform process?

Central agency HR systems enable government service delivery and support the focus on Deconcentration/decentralisation. GfD activities are tightly focused in on the key policy/reform areas:

- HR policy framework;
- Remuneration;
- Career regime;
- HR manual;
- Civil HR capacity development;
- Legal framework (legal advice); and;
- Performance management evaluation.

To a lesser extent, GfD is supporting CSC capacity development to support the reform efforts (e.g., Flinders University/South Australia). We have historically had a close relationship with the commissioners, especially President Liborio. In the last few years, we have shifted the focus to identifying key policy issues for the institution and the support is now focused on this (institution).

1.4 What are the binding constraints to reform and political economy considerations?

Two key questions remain regarding the government's position and intent:

- Does the government have the will to have a more merit-based system?
- Is the government willing to implement mechanism for regular review and adjustment of wages and conditions for civil servants?

Other considerations include:

- Limited and uncertainties around budget allocation impacts on the capacity to undertake activities and deliver outputs;
- Preference is to employ more people in civil service, rather than paying staff better. Therefore this holds back desire for more structured agency profiles;
- Social security factors (integration of transitory pension system into full pension system);
- Budgets have been increasing rapidly; less incentive to have clear structures;
- CSC not strong enough to influence policy decisions and hiring choices. CSC does have a clear mandate to hold this back, but limited power in reality; and;
- CSC capacity to research the policy/analytical issues. So, mapping of spare staff in different ministries does go on; agencies tend to employ new staff rather than needs being met by spare staff in different agencies. Need is for analysis of the right structure and profile of staff in each agency.

Political issues:

- Appointments not always on merit basis. DGs and NDs and heads of department appointed for political reasons; and;
- Agencies pay for advisers not from the civil servant budget lines.

1.5 Who are we working with? Individuals, institutions and both? Why?

Individuals:

- CSC DG to garner their support to lead the HR directors/head departments;
- CSC HR managers to build operational management capacity;
- CSC Commissioners - want to work on the strategic policy (PN debate); and;
- Advisors: number of HR advisers in line ministries and other institutions who play an integral part in supporting the implementation and management of HR within their respective work areas.

Institutions:

- Need to build stronger relationships with Ministry of Finance and Ministry of State Administration and gain a clearer understanding of the government's intentions regarding the role and location of INAP. GJPRU in a way to allow CSC to approach/influence HR management in line ministries.

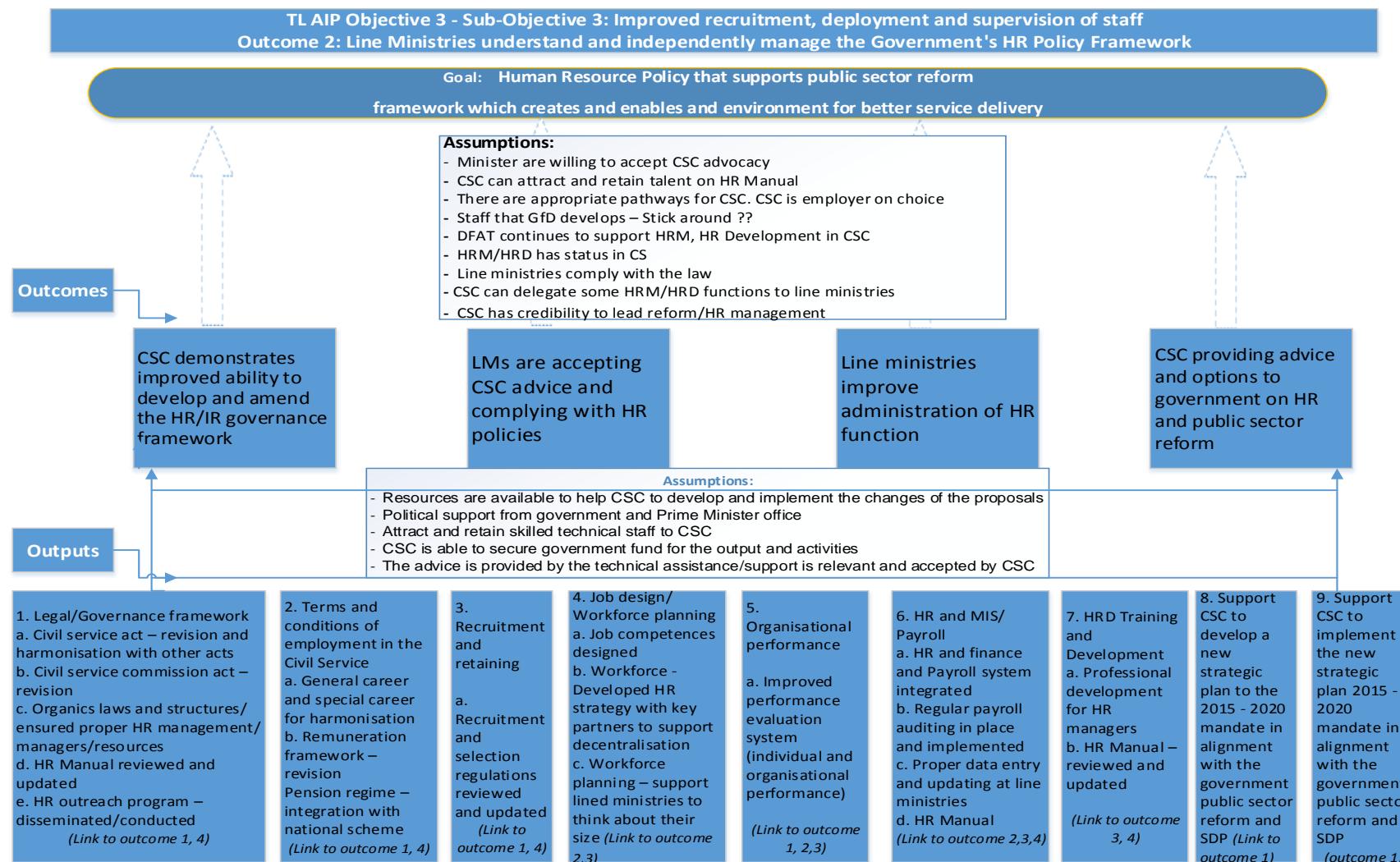
1.6 What are the assumptions underpinning how change happens?

- Line Ministers are willing to accept CSC advocacy role;
- CSC attracts and retains talent on HR Manual;
- There are appropriate career pathways for Civil servant staff;
- CSC is perceived as an employer of choice;
- GfD counterparts at CSC remain at CSC;
- DFAT continues to support HRM, HR Development in CSC;
- HRM/HRD has credibility and considered worthwhile in Civil Service;
- Line ministries comply with the law;
- CSC is able to delegate some HRM/HRD functions to line ministries;
- CSC has the technical capacity to lead the reform process; and;
- Line ministers are providing adequate resources to HR departments.

Conditions needed to address constraints relevant to the minister:

- Ministries and ministers respect the CSC. CSC is influential with ministries and credible;
- CSC is seen as impartial;
- CSC is seen as an institution, not just the president or DG;
- MoF tries to work with CSC more than it has in the past;
- CSC needs to work to protect the meritocracy system and to discourage political interference in the civil servants; and;
- PDA and MAE does not overwhelm CSC in the next few years.

2. Overall Strategy Table



3. Outcomes Table

Goal: Human resource policy that supports public sector Reform framework which creates and enables an environment for better service delivery			
Outcomes Year 4	Progress Markers		
	Year 3 	Year 2 	Year 1 
CSC demonstrates improved ability to develop and amend the HR governance framework.	Continued with the implementation of HR/IR governance framework. National Legal officer trained and performed independently. CSC, MoSA and MoF discussing priorities – by end of year 4.	Amendment of the HR/IR governance framework approved. Targeted socialization and early implementation commenced. Less dependency on GfD to develop the draft framework. National Legal officer recruited to support CSC. CSC, MoSA and MoF implement some technical works – GfD support based.	Government priorities are clearly understood by CSC. HR/IR governance framework drafted HR/IR governance framework consultation conducted (discussion, getting feedback, agreed,) with CSC commissioners and DGs. HR/IR governance framework consultation conducted externally with key directors from line ministries and institutions. GfD understands shared priorities that have genuine ownership from GoTL (PM and CSC). CSC, MoSA and MoF engage on key policy issues through GfD support.
Line Ministers are accepting CSC advice and complying with HR policies.	Relationships continue with HR managers in line ministries and CSC. HR managers from line ministries come to CSC for consultation and advice. Line ministries are more aware of the role of CSC in HR management. CSC supports professional development of HR managers in line ministries.	Relationships continue with HR managers in line ministries and CSC. HR managers from line ministries come to CSC for consultation and advice. Line ministries are more aware of the role of CSC in HR management. CSC supports professional development of HR managers in line ministries.	Relationships continue with HR managers in line ministries and CSC. HR managers from line ministries come to CSC for consultation and advice. Line ministries are more aware of the role of CSC in HR management. CSC supports professional development of HR managers in line ministries.
Line ministries improved administration of HR functions	Numbers line ministries are administering decentralised recruitment process. Line ministries using the revised performance evaluation system.	Numbers line ministries are administering decentralised recruitment process. Line ministries using the revised performance evaluation system. Line ministries are using HRM with	Numbers line ministries are administering decentralised recruitment process. CSC reviews and improves performance evaluation system. HR manager's line ministries are aware of HR Manual

	Line ministries are using HRM with compliance.	compliance.	through dissemination and trainings of trainers.
CSC providing advice and options to government on HR and public sector reform.	Numbers of policy and legislation proposals submitted to council of ministers. Increased take up by government of CSC recommendations. Government rely on CSC as the source of HR policy development for public sector.	Numbers of policy and legislation proposals submitted to council of ministers.	Numbers of policy and legislation proposals submitted to council of ministers.

4. Outputs Table

Output	Brief Description	Y1	Y2	Y3	Y4
1. Legal/HR Policy framework a. Civil service act – revision and harmonisation with other acts. b. Civil service commission act – revision. c. Organics laws and structures/ensured proper HR management/managers/resources. d. HR Manual reviewed and updated. e. HR outreach program – disseminated/conducted. f. CSC providing strategic policy advice to government. <i>(Link to Outcome 1, 4)</i>	Those pieces of legislations and policies are reviewed and aligned to the government and PM orientation regarding the public sector reform.	X	X	X	X
2. Terms and conditions of employment in the Civil Service a. General career and special career for harmonisation. b. Remuneration framework – revision. c. Pension regime – integration with national scheme. <i>(Link to Outcome 1, 4)</i>	Restoration of the general careers regime as the overarching employment framework in the civil service.		X	X	X
3. Recruitment and retaining a. Recruitment and selection regulations reviewed and updated. <i>(Link to Outcome 1, 4)</i>	CSC reviews the recruitment process and submit the changes to the CoM.		X		
4. Job design/Workforce planning a. Job competences designed. b. Workforce - Developed HR strategy with key partners to support decentralisation. c. Workforce planning – support lined ministries to think about their size. <i>(Link to Outcome 2, 3)</i>	To develop a road map and provide some recommendation on how to approach workforce planning size in the line ministries.	X	X	X	
5. Organisational performance a. Improved performance evaluation system (individual and organisational performance). b. CSC performance improved as strategic central agency. <i>(Link to Outcome 1, 2,3)</i>	To discuss and propose amendment to the performance system in place that is aligned with the government recommendation.	X	X		
6. HR and Management Information System (MIS)/Payroll a. HR and finance and Payroll system integrated. b. Regular payroll auditing in place and implemented. c. Proper data entry and updating at line ministries. <i>(Link to Outcome 2,3,4)</i>	To support the completion of the system modules and the implementation and use of the system in the government institutions.	X	X	X	
7. HRD Training and Development a. Professional development for HR managers. b. HR Manual – reviewed and updated. <i>(Link to Outcome 3,4)</i>	Ensuring that HR managers get the proper skills to perform the tasks and review the HRM to align with the amendment in the legislation.	X	X		

8. Support CSC to develop a new strategic plan to the 2015 - 2020 mandate in alignment with the government public sector reform and SDP. <i>(Link to Outcome 1)</i>	To provide advice and support the development of the new strategic plan.	X	X		
9. Support CSC to implement the new strategic plan 2015 - 2020 mandate in alignment with the government public sector reform and SDP. <i>(Link to Outcome 1)</i>	To provide advice and support in the implementation of the new strategic plan.			X	X

GfD Work Area Strategy – Telecommunications

1. Rationale

1.1 Why support telecommunication? Defining the problem

A functional and effective regulator is essential for a sustainable telecommunications sector that provides quality services, consumer choice and scope for investment and competition. Due to significant gaps in technical capacity the ANC is not able to deliver on its mandate.

ANC staff lack the technical capacity to develop and implement policies and processes for effective regulation. The ANC is brand new, and there have been no previous attempts to fix the problem (locally or from donors).

Consumers have seen the benefits of liberalisation but are not aware of the benefits of regulation and do not exert pressure on the regulator.

Telecoms operators see the benefit in some regulation but are not putting pressure on the ANC to deliver their full range of functions (rent-seeking). Smaller players want licenses to operate but are not putting pressure on ANC (collective-action problem).

The legislative framework is in place and GoTL wants regulation but the Minister of Public Works, Transport and Communications or other agencies are not putting pressure on ANC to perform (no push for reform from above, or below). It is unlikely that change will occur organically without donor support.

1.2 What achievements can reasonably be expected?

Within 24 months we expect to see:

- Organisational structure in place, (including Directors appointed);
- ANC staff clear on their corporate role and function, performance management structure in place;
- Policies and procedures for ordered and efficient use of spectrum;
- A strategy for the development of other policies and procedures necessary for effective regulations is developed;
- Regulatory decisions made that contribute to economic development;
- A functioning regulatory system; and;
- Technical Capacity.

GfD will provide technical assistance to address technical gaps in the ANC and enhance performance over time through mentoring and on the job training.

1.3 Where does our intervention fit into the broader reform process?

Increased coverage and quality telecommunications access is a contributor to private sector growth. Access to technology can also enable financial inclusion, connectivity and increased participation in civil society. The regulation of the telecoms sector will contribute to GfD reform topic area 2:

- The government makes decisions about economic policy that supports sustainable economic development and poverty reduction.

1.4 What are the binding constraints to reform and political economy considerations?

- ANC President is currently not making decisions; there are various explanations for this. In part, he lacks the management and leadership, however, he also lack the political will and there is some sense that he is not making decision because of broader political uncertainty;
- Demand for telecoms regulation is currently very low both from consumers and companies;
- GfD would like to exert more pressure on the ANC President to make decisions by influencing other parts of government or by strengthening our engagement with the Minister; and;
- Difficult to build consumer demand for better quality services at present, however, there may be opportunities to engage with telecoms companies (both large and small) to shift their interest in regulation.

1.5 Who are we working with? Individuals, institutions and both? Why?

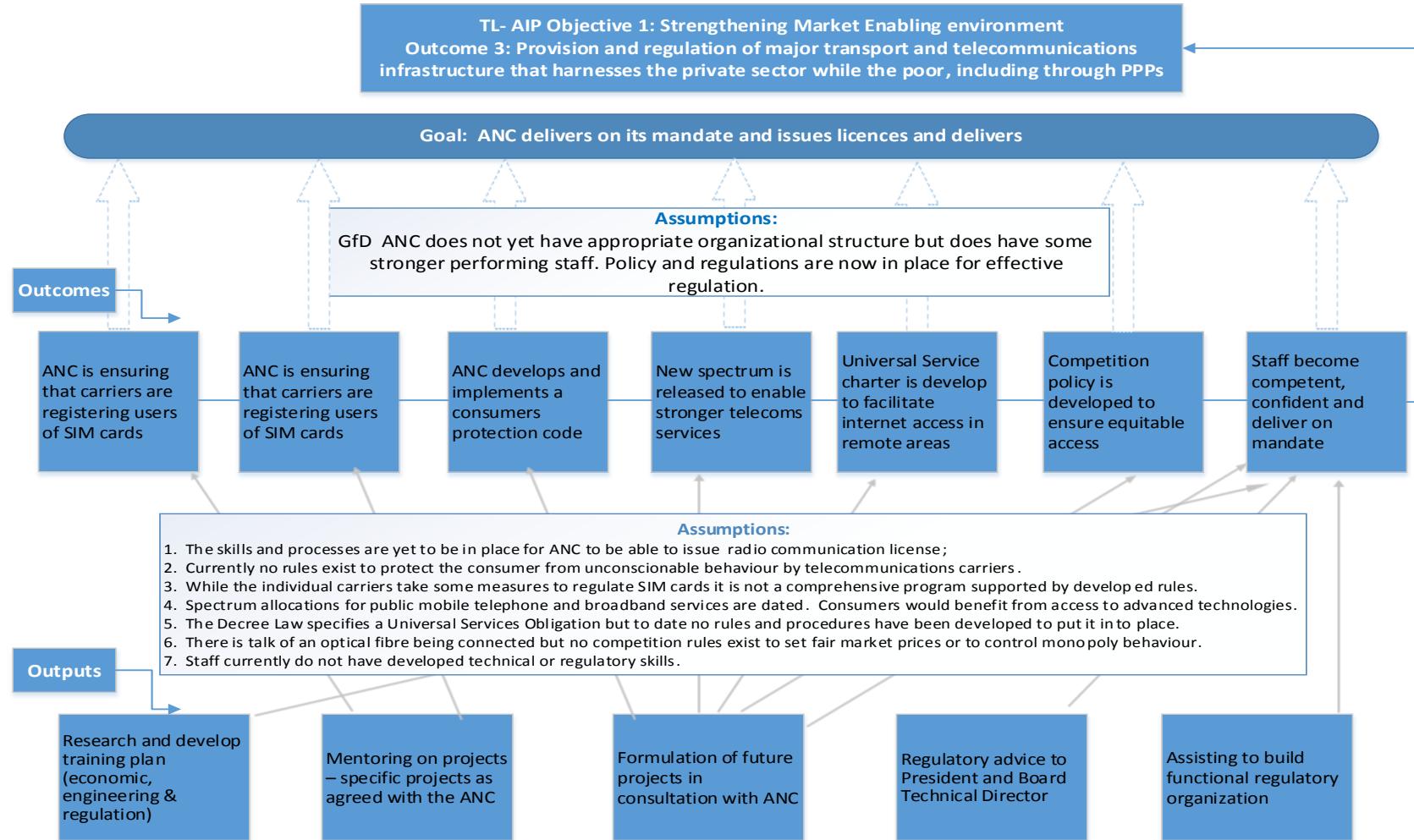
Individual: the ANC President Mr Antonio Correia, and working very closely with ANC staff.

Why: the staff can drive change – as their confidence and the capacity increased.

1.6 What are the assumptions underpinning how change happens?

- GoTL will maintain a liberalisation approach to the market;
- ANC staff have the right incentives to improve performance and building their technical capacity;
- President of the ANC approve strategies and policies for a functional ANC;
- Leadership and staffing cohort will remain relatively unchanged over the next two years;
- Large and small players in the telecoms market continue to operate in TL; and;
- Our Technical Assistance will be welcomed by the ANC for the next 18-24 months.

2. Overall Strategy Table



3. Outcomes Table

Goal: ANC delivers on its mandate and issues licenses and delivers			
Outcomes Year 4	Progress Markers		
	Year 3 	Year 2 	Year 1 
1. Operators are able to gain regulation licenses and registration on application.	Undertake forward looking project. Review and revise its on procedures – internal looking – begin to change management. Review markets and makes economic input where will be advantages. Develop and review policy.	Regularly issue licenses. Perform range of regulatory. Protects the consumer. Make economic and pricing decision.	Confidence of president to make decision – first board meeting on 20 th March 2015 – decision on Wi-Fi Class Licence and Emergency Position Indicating Radio Beacons (EPIRB) Class Licence. Confidence in staff to push for decision making. Begin to issue apparatus license. Baby steps – class licensed
2. ANC is ensuring that carriers are registering users of SIM cards.	Enforced determination	Determination is made/enforced	Drafted determination on SIM Cards
3. ANC develops and implements a consumer's protection code.	Enforced	Determination	Consumer Protection code drafted
4. New spectrum is released to enable stronger telecoms services.	Proposal and released	N/A	N/A
5. Universal Service charter is develop to facilitate internet access in remote areas.	Consult and action	Drafting service charter	N/A
6. Competition policy is developed to ensure equitable access.	Developed competition policy	Economic advice	N/A
7. Staff become competent, confident and deliver on mandate.	Training and mentoring Complex full range	Training and mentoring Modernised the regulatory function	Basic Policy and regulatory function service in place

4. Outputs Table

Output	Brief Description	Y1	Y2	Y3	Y4
Research and develop training plan (economic, engineering & regulation)	Regulator and system training for spectrum economists (regulation)	X	X	X	
Mentoring on projects – specific projects as agreed with the ANC	Assist the staff to complete project	X	X	X	X
Formulation of future projects in consultation with ANC	Spectrum and economic reform	X	X	X	X
Regulatory advice to President and Board Technical Director	High level management and leadership	X	X		
Assisting to build functional regulatory organization	ANC is competent of performing a full range of regulatory function and development policy	X	X	X	X

GfD Work Area Strategy – Economic Policy

1. Rationale

1.1 Why support economic policy? Defining the problem

Robust economic policy is the foundation of economic growth and service delivery in a modern economy. DFAT aims to assist GoTL in developing robust economic policy through the GfD program. For DFAT to support GoTL, DFAT's programs – GfD and sectoral – also need to be informed by economic analysis. In order for the TL economy to diversify away from oil and gas and provide employment for its growing population, the private sector will need to rapidly develop. The Minister of State Coordinating Economic Affairs has each of the institutions servicing private sector growth under his control and so supporting the Minister is a key method to enhance private sector growth.

Economic analysis builds our understanding of the context within which DFAT and GFD operate in Timor. A better understanding of the context means that we make better strategic decisions across all DFAT programs in TL and build a collaborative approach to understanding and addressing development problems with TL. Economic analysis also builds the availability of analysis about Timor-Leste informing and enabling the decision-making and policy development of GoTL, civil society and development partners.

Specific areas or problems that require deeper enquiry and analysis within the current context include (but not limited to):

- Private sector businesses are constrained from investing in Timor and creating jobs;
- Different types of public institutes delivering different services – they are different but they are linked e.g. SERVE;
- Co-ordination is difficult;
- For business side: process isn't clear;
- Financial sector: access to credit, collateral, contract enforcement;
- Contract enforcement;
- Labour issues: working visa issues (no clear legal framework);
- Investment law; private investment law;
- Land law;
- Ports/importing/customs issues;
- BNCTL: Governance issues and the strategy of the Bank – defining the strategy of the bank to provide more.

1.2 What achievements can reasonably be expected within four years?

DFAT has been carrying out economic analysis in Timor-Leste for many years using internal resources and external economists and researchers – this will continue and be built upon. DFAT knowledge increased - in particular, the Country Economist is building on the work of the previous Senior Economic Officer. Some known specifics:

- By July 2015: Internal DFAT has positions on tax reform, currency; and a better internal understanding of poverty in TL;
- By July 2015: Improved data on poverty in TL through the compilation of multi-dimensional poverty indicators by Monash;
- Support the Minister in deciding on how to proceed
 - Reforming Trade/Invest and SERVE
 - Assess what kind of work they are doing and what is the specialised function that we want
 - Evaluation of the investment certificate law
 - Establishing a system for using movable collateral law
 - Financial sector reform;
- Support and collaborate with the Vice Minister for Decentralisation in preparing a Strategic Development Plan for each District.

1.3 Where does our intervention fit into the broader reform process?

Economic analysis informs our decision-making in each of the GfD topic areas and acts as an enabler for good decision-making. It also assists government, civil society, development partners and DFAT to develop public policy based on sound economic analysis. For example, its supports the Coordinating Minister to prepare and review legal framework, enhances delivery of services boost private investment, employment and economic growth and enhances the functioning of the financial sector.

1.4 What are the binding constraints to reform and political economy considerations?

- Sensitivity of government and other stakeholders to published economic analysis;
- Availability and reliability of timely statistical information including the lack of in-depth and published economic analysis about Timor-Leste;
- The Statistics work plan is intended to address the constraint of availability/reliability of data. However Govt producing better data will be a long process and so this will continue to be a binding constraint in the medium-term;
- Impact of politics on key economic decisions i.e. veterans' pensions and fiscal sustainability;
- Co-ordinating between institutions and potential resistance to change from institutions/agencies that are subject to reform e.g. SERVE;
- Capacity of the Co-ordinating Office;

- Political constraints on passing reforms from Parliament, Government – Minister will need evidence in order to support the proposals;
- Government budget for IT or logistical needs, training etc. to support reforms;
- Economic literacy amongst civil society, development partners (CSOs), policy makers and government members in TL;
- Monash is intending to publish economic analysis about Timor-Leste. However the number of historical publication is limited and so the total number of papers will remain low. There are a limited number of economists in Timor publishing papers.

1.5 Who are we working with? Individuals, institutions and both? Why?

Individuals:

Minister Estanislau da Silva - Minister of State, Coordinating Minister for Economic Affairs and also Minister of Agriculture and Fisheries. His political position and commitment is essential to move forward with key economic reforms, to have them passed and to engage key institutions in the enforcement of the reform.

Individual advisors within the Coordinating office. At present Ines Araujo is the key contact. In the future, other senior advisors could be brought into the office (for example, there is discussion of hiring a senior economic advisor - if a very senior person was brought in, then this person would be a key contact to work with).

Institutions:

The Minister of State Coordinating Economic Affairs is responsible for coordinating all government work in economic affairs, promoting private sector development, and to developing public policies to increase services delivery to the population. Under his coordination are key institutions. In economic terms, the Minister is responsible for policy related to the labour market, product markets, competition policy and trade and investment. Institutions under the umbrella of the Coordinating Minister include:

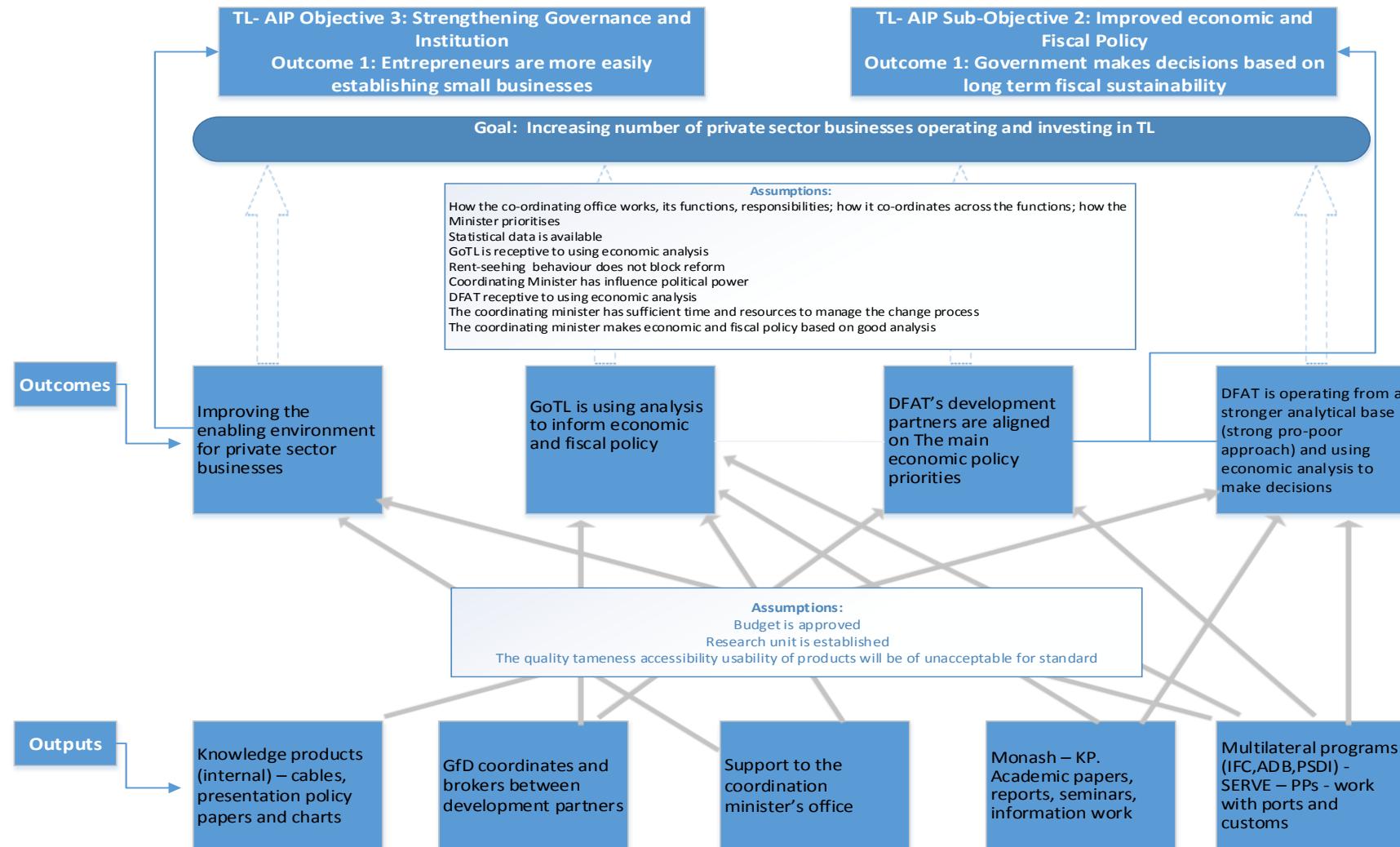
- CNEFP – National Employment and Vocational Training Centre (Tibar Training Centre)
- SENAI – National Industrial Training Service (Becora Training Centre)
- INDMO – National Labour Force Development Institute - responsible for qualification standards
- General Labour Inspectorate
- SERVE – business registration and verification service
- IADE – Institute for Business Development Support - promotion of private sector particularly in rural areas
- Specialized Investment Agency – responsible for attracting private sector and investment
- BNCTL – commercial bank

- Bamboo Research, Development, Training and Promotion Institute
- DFAT provides support to the Minister of State Coordinating Economic Affairs because:
 - It plays a central role in the VI Constitutional Government- Its mandate is essential particularly to support the economic growth and the development of private sector, which are essential for poverty reduction.
 - By improving the environment for private sector development, (simplifying business registration, increasing access to credit, etc.) the Coordinating Minister will have a key role in diversifying and strengthening the non-oil economy.

1.6 What are the assumptions underpinning how change happens?

- The Co-ordinating Office is functioning and capable of undertaking necessary roles and responsibilities.
- The Coordinating Minister's priorities are based on sound analysis and evidence.
- Statistical data is available.
- GoTL is receptive to using economic analysis.
- Rent-seeking behaviour does not block reform.
- Coordinating Minister has influence political power.
- DFAT program teams are receptive to using economic analysis.
- The Coordinating Minister has enough power and influence to make decisions on economic reform.

2. Overall Strategy Table



3. Outcomes Table

Goal: Increasing number of private sector businesses operating and investing in TL			
Outcomes Year 4	Progress Markers		
	Year 3 	Year 2 	Year 1 
Improved enabling environment for private sector businesses.	Coordinating Minister is implementing a strategy to improve the enabling environment (year 2).	Coordinating Minister is implementing a strategy to improve the enabling environment Legal framework to accompany the strategy is being implemented.	Coordinating Minister has a strategy in place to improve the enabling environment. Legal framework to accompany the strategy has been approved and is in place.
GoTL is using analysis to inform economic and fiscal policy	GoTL is identifying areas of enquiry and using economic analysis on a regular basis. The quality of research and the information provided by the Coordinating Minister improves. Independent and high quality analysis is reflected in government economic decision making.	There is capacity in Coordinating Ministry to utilise policy analysis and advice. Coordinating Ministry and other relevant Government ministries are consulting on economic policy advice and analysis. DFAT credibility becomes more strong and reliable to Coordinating Minister. Research and Planning Unit is utilising economic analysis data. Government ministries are seeking to work with DFAT, and others, on developing analysis of economic policy.	Coordinating Minister understand the value of using economic analysis in decision-making. DFAT/GfD has strong partnership around economic with the government. Research and Planning Unit is established by the end of 2015.
DFAT's development partners are aligned on the key economic policy priorities.	Regular review of development partner's reports to assess if aligned and action taken if not. Numbers of recommendations are provided to DFAT's development partners. This will help ensure alignment with DFAT. Numbers of discussions are held between DFAT and development partners on key economic priorities.	Regular review of development partner's reports to assess if aligned and action taken if not. Numbers of recommendations are provided to DFAT's development partners. This will help ensure alignment with DFAT. Numbers of discussions are held between DFAT and development partners on key economic priorities.	Development partner key documents/reports reviewed to assess alignment and take action if not.
DFAT is operating from a stronger analytical base (strong pro-poor approach) and using economic analysis to make decisions.	GfD continue to review and identify analytical gaps. DFAT sector programs accessing economic analysis data to inform and adjust strategy. DFAT has stronger knowledge base of barriers to women economic empowerment.	GfD has a regular review process for identifying analytical gaps. DFAT sector programs are using economic analysis on a regular basis. DFAT has stronger knowledge base of barriers to women economic empowerment.	Analytical gaps in the economic and social space have been identified. GfD is identifying areas of enquiry and using economic analysis on a regular basis in particular at each R&R to inform and adjust strategy. DFAT sector program accessing economic analysis data to inform and adjust strategy. DFAT has stronger knowledge base of barriers

		to women economic empowerment.
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4. Outputs Table

Output	Brief Description	Y1	Y2	Y3	Y4
Multilateral program analysis, reports and policy implementation support (ADB, IFC, World Bank).	Fund programs through Multilateral partners that contribute to the analysis and implementation of economic policy. Work with multilateral partners to ensure the best possible take-up of policy by GoTL.	X	X	X	X
GfD coordination and brokerage between development partner	Promote coordination with different development partners and international agencies fostering a stronger analytical base and using economic analysis to make decisions and to support the GoTL in implementation of the Strategic Development Plan.	X	X	X	
Support to coordinating Minister's office.	Provide timely, high quality and relevant legal and economic technical assistance to the Minister of State, Coordinating Minister for Economic Affairs to pursue and implement its mandate, under the VI Government's program.	X	X	X	
Production of academic papers, reports, seminars, information work through Monash – KP.	Facilitate the dissemination of academic reports, papers, and other relevant information in order to support DFAT to use timely and relevant information to make sustainable decisions.	X	X	X	
Knowledge products (DFAT internal)	Encourage building knowledge and research and the dissemination of relevant information supporting the GoTL to use critical analysis to support economic and fiscal reforms and institutional strengthening.	X	X	X	

ANNEX 3 – GfD ACTIVITY STRATEGY NOTE

Section 1 Activity Design

1.1 Database details	
1.2 Description of Activity	
1.3 Proposed Key Outcomes	
1.4 Resources	
1.5 Roles and Responsibilities	
1.6 Justification	

Criteria	Key Question	Response
Relevance	Is this the right activity to be undertaking?	
Effectiveness	Is the best way to address the development problem?	
Efficiency	Is this the best way to use resources and time?	
Contribution towards Key Work Areas Progress Markers	How will the activity contribute to GfD Key Work Areas Progress Marker/s?	
Monitoring and Evaluation	How will you know if the activity goals have been achieved?	
Sustainability	How will the benefits from this activity last?	
Gender and Disability	How will this activity encourage a diverse range of people, including people with a disability to benefit? How will this activity specifically make the operating environment comfortable and accessible to all? What measures are in place to ensure women and men are able to participate at the same level?	
Partners and Beneficiaries	Who are the partners and primary beneficiaries?	
Implementation Modality	How it is going to be implemented (who does what and how)?	
Timeframe	When it will start and the period of program?	

Section 2 Activity Budget

Item	Australian Aid Contribution	GoTL Contribution	Other Donor Contribution	Total Cost

Item	Australian Aid Contribution	GoTL Contribution	Other Donor Contribution	Total Cost
Total				

Section 3 Draft Program

Insert text

Section 4 Risk

What are the risks associated with this activity?	How will this risk be managed?

Section 5 Reporting

Progress Reporting	
Activity Completion Report	

ANNEX 4 – GfD OVERALL RESULTS FRAMEWORK

Work Area 1. Public Financial Management Goal: Strengthening governance and institutions through improved public financial management.				
4-Year Outcome/s	Progress Markers/Targets Year 1	Progress Markers/Targets Year 2	Progress Markers/Targets Year 3	MOV/Utilisation
Planning Performance Management Office (PPMO) leads improved planning and performance evaluation processes within the Ministry of Finance and champions improved performance across GoTL.	<p>The quality of MoF's rolling five year plan improves each year (annual targets are "SMART" and aligned to strategic objectives).</p> <p>The upcoming year of MoF's five year plan informs their Annual Action Plan and feeds into the budget process.</p> <p>Over time MoF's rolling five year plan is linked to forward estimates and informs MoF's internal budget allocation process.</p> <p>The quality of MoF's semi-annual evaluation process improves.</p> <p>Findings of the evaluation process are provided to the Finance Minister and acted upon - including decisions around how the budget support funding will be allocated.</p>	<p>The quality of MoF's rolling five year plan improves each year (annual targets are "SMART" and aligned to strategic objectives).</p> <p>The upcoming year of MoF's five year plan informs their Annual Action Plan and feeds into the budget process.</p> <p>Over time MoF's rolling five year plan is linked to forward estimates and informs MoF's internal budget allocation process.</p> <p>The quality of MoF's semi-annual evaluation process improves.</p> <p>Findings of the evaluation process are provided to the Finance Minister and acted upon - including decisions around how the budget support funding will be allocated.</p>	<p>The quality of MoF's rolling five year plan improves each year (annual targets are "SMART" and aligned to strategic objectives).</p> <p>The upcoming year of MoF's five year plan informs their Annual Action Plan and feeds into the budget process.</p> <p>Over time MoF's rolling five year plan is linked to forward estimates and informs MoF's internal budget allocation process.</p> <p>The quality of MoF's semi-annual evaluation process improves.</p> <p>Findings of the evaluation process are provided to the Finance Minister and acted upon - including decisions around how the budget support funding will be allocated.</p>	<p>Review of analysis and research reports</p> <p>Implementing Team progress reports</p> <p>Advisor and MC progress reports</p> <p>Review of GoTL central agency and relevant line ministry reports – MoF, CSC, ADN, MoSA etc.</p> <p>Review of STA technical reports</p> <p>Review of relevant DFAT sector program reports.</p> <p>Review and analysis of program partners progress reports, research, evaluation reports.</p> <p>Base line survey on sub national service delivery discussed and agreed with MoSA;</p> <p>Base line survey on MoSA capability discussed and agreed and implemented.</p> <p>CSC's internal capability is developed.</p>
Line Ministries and MoF improved the timeliness, efficiency and effectiveness of the payments system. (Improved efficiency and effectiveness of the payments system).	<p>MoH</p> <p>Number of invalid payment requests decreases each year (MoH is aiming for a 2% rejection target).</p> <p>MoH improved understanding of payment processes. MoH assesses and maintains information appropriately and makes payments based on good practice, good records systems etc.</p>	<p>MoH</p> <p>Number of invalid payment requests decreases each year (MoH is aiming for a 2% rejection target)</p> <p>MoH improved understanding of payment processes. MoH assesses and maintains information appropriately and makes payments based on good practice, good records systems etc.</p>	<p>MoH</p> <p>Number of invalid payment requests decreases each year (MoH is aiming for a 2% rejection target)</p> <p>MoH improved understanding of payment processes. MoH assesses and maintains information appropriately and makes payments based on good practice, good records systems etc.</p>	<p>Utilised for:</p> <p>Support and inform program planning and implementation of new mini-programs and activities.</p> <p>Cross program learning and</p>

	<p>MoF</p> <p>Average processing time for valid payment requests improves each year.</p> <p>Number of invalid payment requests decreases each year.</p> <p>Pilot decentralisation of the expense voucher (EV) and goods receipt voucher (GRV) process to LMs.</p>	<p>MoF</p>	<p>MoF</p> <p>Improved timeliness in the processing of valid payment requests</p> <p>Understanding the reasons for invalid payment requests</p> <p>Reduced number of invalid payment requests Etc. (see indicators from MoF Strategic Plan)</p> <p>Line ministry stuff: clear understanding of payment process. For line ministries where decentralised, they assess and maintain information appropriately and make payments based on good practice, good records etc.</p>	<p>harmonisation.</p> <p>Basis for findings report to be used during R&R workshop and progress report.</p> <p>Program accountability.</p> <p>Sharing and learning with GoTL and partners.</p> <p>Program monitoring.</p> <p>Using GoTL data collection and M&E for program needs rather than operating parallel systems.</p>
Line Ministries and MoF improve quality of presented to BRC.	<p>Improved budget submission on time consistent with templates.</p> <p>There are several possible paths to get the forward estimates ball rolling in Timor-Leste.</p> <p>The path that appears to be most promising at the moment – but is still being discussed with MoF and independent PFM experts (including Malcolm Holmes who established the forward estimates model in Australia in the 1980s) – is as follows. At the start of the budget preparation process in a given year (possibly in 2016 for the 2017 budget – still being discussed), for the first time:</p> <p>(i) MoF rolls over the forward estimates then determines the aggregate “base” expenditure for the coming year based on the rolled over FE1.</p> <p>(ii) The aggregate “base” expenditure is then compared to the desired total ceiling for public expenditure in the coming year. The difference (“fiscal gap”) then becomes the space for budget proposals – the “base” expenditure is considered locked in.</p> <p>(iii) In accordance with GoTL’s priorities for the coming year, after the</p>		<p>Quality and comprehensiveness of budget submissions improves over time:</p> <ul style="list-style-type: none"> ▪ still an inputs-based budget, but now performance-informed – BRC considers both financial and non-financial data when making decisions, not just execution rates for previous budgets ▪ new policy proposals are: <ul style="list-style-type: none"> ○ Explicitly identified, including the goals, linkages to sector strategies and the SDP (where relevant) and there is analysis on the likely impacts of the new policy in terms of gender and other cross-cutting issues. ○ Accurately costed, and costings take into account both impacts in coming budget year and in forward years, esp.in relation to O&M for proposals for new infrastructure. ○ where new policies are approved forward year impacts are then properly factored into the FEs in FreeBalance ○ FEs roll over each year in FreeBalance and are considered by BRC when looking at budget proposals. 	

	<p>Yellow Road Workshop, MoF invites relevant LMs to submit new policy proposals (NPPs) to BRC within the ceiling of the “fiscal gap”. These NPPs include estimates for both the coming year and forward years, take into account O&M for new capital proposals and are reviewed by MoF, information on what outputs the additional funding will purchase, likely impacts in terms of cross-cutting issues such as gender, environment, etc.</p> <p>(iv) BRC considers the NPPs. If an NPP is approved, the budget for the coming year is adjusted appropriately AND the forward estimates are updated in Free Balance.</p> <p>(v) This cycle then repeats every subsequent year.</p>		<p>MoF providing TA to line ministries during budget submissions.</p>	
DG Statistics publishes high quality and relevant statistics.	<p>Census</p> <p>DFAT is also providing support to DG Statistics under a MoU with the ABS.</p>			
MoF DN Economic Policy leads robust analysis on revenue policy, non-oil growth, and quality of public expenditure (e.g. PERs).	<p>This will require close cooperation between DN Economic Policy in MoF and the Coordinating Ministry of Economic Affairs. DFAT's country economist has been seconded to the Coordinating Ministry, so we are well placed to facilitate this relationship building.</p>		<p>The quality of this analysis will depend (inter alia) on the quality of data collected by DG statistics (see outcome 4).</p>	
Effective management of state assets by DN Supply and Assets Management.	<p>See current progress markers in the 2015-2019 five year plan; at the moment the focus is on improving the management of state cars but the markers will be extended to cover other assets as roles and responsibilities become clearer.</p>		<p>MoF extend services to line ministries over time.</p>	
Improved PFM capacity in MoF and in line ministries.	<p>MoH</p> <p>Established group of Finance Trainers in the Ministry of Health.</p> <p>Produced training materials including presentations assessment modules</p>	<p>MoH</p> <p>Expand the number of trainers trained.</p> <p>Produced training materials including presentations assessment modules</p>	<p>MoH</p> <p>Expand the number of trainers trained.</p> <p>Produced training materials including presentations assessment modules and manuals.</p>	

	<p>and manuals.</p> <p>Using MoF examination established baseline competency of MoH finance staff.</p> <p>Designed and implemented training courses to improve PFM capacity in MoH Finance staff in line with MoF competency standards.</p> <p>MoF</p> <p>Primarily via training conducted by PFM Capacity Building Centre.</p> <p>Finalise the PFM competency framework for all government officials (not just officials in MoF).</p> <p>Run the PFM exam for all government officials in May 2015 (excluding DG Stats and some other specialised areas).</p> <p>Establish a baseline for PFM skills using the results of the PFM exam.</p> <p>Develop training programs that target the skills gap.</p> <p>Implement the training programs and conduct regular follow-up testing to assess progress.</p> <p>DFAT is funding an adviser working within PFMCBC to assist this work. The adviser is currently funded out of GfD, but in the future will probably be funded by the budget support program (subject to formal MoF approval).</p>	<p>and manuals.</p> <p>Designed and implemented training courses to improve PFM capacity in MoH Finance staff in line with MoF competency standard.</p> <p>Ensured sustainability of training program.</p> <p>MoF</p> <p>TBC</p>	<p>Designed and implemented training courses to improve PFM capacity in MoH Finance staff in line with MoF competency standard.</p> <p>Ensured sustainability of training program.</p> <p>MoF</p> <p>TBC</p>	
Improved quality of internal audits.	Encourage compliance with INTOSAI and other international standards Strengthen internal audit function within MoF to begin with, but by 2019, support MoF's internal audit section to establish effective internal audit functions within LMs.			
Evaluative Questions				
How is the analysis of quality of spending impacting upon decision-making about spending?				

What are the barriers to MoF engaging more with Line Ministries (and vice versa) on policy, spending and bottleneck issues?

How well are key performance tasks aligned to strategic objectives of MoF?

Is DFAT providing credible advice including credible process for verifying that the 5-year plan is being achieved and is it being used?

Have relevant MoF staff in the program built relationships across the line ministries – to improve the communication?

Is DFAT contributing to the process by supporting the development of realistic (right level) targets and work plans?

Work Area 2. Deconcentration/Decentralisation Goal: Services delivered more efficiently and effectively through a decentralised/deconcentrated model.				
4-Year Outcome/s	Progress Markers/Targets Year 1	Progress Markers/Targets Year 2	Progress Markers/Targets Year 3	MOV/Utilisation
Decentralisation framework in place including political system (elections) and admin system (accountability).	<p>Finance law passed (approved the public transfers).</p> <p>Budgets reallocated from line ministries to municipal administrations.</p> <p>Finance manual approved.</p> <p>Procurement law passed fit for purpose for local municipalities' circumstances.</p> <p>Interim FMIS designed by August (in collaboration with MoF) – final FIMS designed by mid-2016 to mid-2017 (MoF).</p>	<p>Adjustment to the decentralisation framework based on lessons from implementation.</p> <p>Permanent FMIS is designed and implemented.</p> <p>MoSA begins policy on how funding will be link to functions and what local revenues will be collected by local municipalities.</p> <p>MoSA has a capacity building strategy for municipalities that links to their functions.</p>	<p>Adjustment to the decentralisation framework based on lessons from implementation.</p> <p>Adjustment of FMIS and guideline and rules.</p>	<p>Weekly updates</p> <p>Progress report</p> <p>Interviews</p> <p>Advisor progress reports</p> <p>Budget books and circulars</p> <p>CSC and MSA deployment information</p> <p>Freebalance data on staff expenditure</p> <p>Field trip reports</p> <p>Review of analysis and research reports</p> <p>Implementing Team progress reports</p> <p>Advisor and MC progress reports</p>
Municipalities have control of financial resources, staff and assets to deliver services delegated by LM.	<p>Negotiation between line ministries with MoF and MoSA (2016 budget).</p> <p>Budgets reallocated from line ministries to municipal administrations.</p> <p>Development of a workforce/staff profile for municipalities.</p> <p>Transfer of line ministries staff.</p> <p>Developing of reporting lines and accountabilities.</p>	<p>Fund continued to be allocated to municipalities in 2017 budget.</p>	<p>Fund continued to be allocated to municipalities in 2018 budget.</p>	<p>Review of GoTL central agency and relevant line ministry reports – MoF, CSC, MSA, AND, MoSA.</p> <p>Review of STA technical reports</p> <p>Review of relevant DFAT sector program reports.</p> <p>Review and analysis of program partners progress reports, research, evaluation reports.</p> <p>Base line survey on sub national service delivery discussed and agreed with MSA;</p>
Staff in district are implementing the decentralization framework.	<p>Training need analysis of staff.</p> <p>Training of municipal finance, procurement and HR staff (system, technical areas such as procurement).</p>	<p>Numbers of ongoing training of staff take place.</p> <p>Budget execution is at least 70%.</p> <p>Financial management information system is used for executing municipal budget.</p> <p>Quarterly financial report submitted and certified by joint monitoring team enabling the constant flow of funds to municipalities.</p>	<p>Numbers of ongoing training of staff take place.</p> <p>Budget execution is at least 85%.</p> <p>Financial management information system is used for executing municipal budget.</p> <p>Quarterly financial report submitted and certified by joint monitoring team enabling the constant flow of funds to municipalities.</p>	<p>Base line survey on MoSA capability discussed and agreed and implemented.</p> <p>CSC's internal capability is developed.</p> <p>Utilised for:</p> <p>Support and inform program planning and implementation of new mini-</p>

		50% of municipalities received unqualified audit opinion reports.	75% of municipalities received unqualified audit opinion reports.	programs and activities. Cross program learning and harmonisation.
MoSA, MoF, CSC are providing effective support and oversight to municipal administrations.	Established financial monitoring framework and procedures. Government allocate staff to monitoring divisions in MoF and MoSA. Numbers of trainings on financial framework conducted.	Implementation of financial monitoring framework and procedures.	Financial monitoring framework is and procedures are implemented and adjustments to them are been made to reflect lessons from year 2. MoSA, MoF and CSC have: <ul style="list-style-type: none">▪ Identified poorly performing municipalities or sections and have responded.▪ Begun work on linking performance to financial expenditures.	Basis for findings report to be used during R&R workshop and progress report. Program accountability. Sharing and learning with GoTL and partners. Program monitoring. Using GoTL data collection and M&E for program needs rather than operating parallel systems.
Evaluative Questions				
<p>What is the current capacity of MAE to support service delivery at district level?</p> <p>What services are districts and sub-districts supposed to deliver?</p> <p>What is the capacity of district in delivering services?</p> <p>Is the proposed government decree on competency implemented?</p> <p>Are relevant budgets for districts identified and transferred from line ministries e.g. Health and Education to MoSA?</p>				

Work Area 3. Human Resource Policy Framework Goal: HR Policy that supports public sector reform framework which creates and enables an environment for better service delivery.				
4-Year Outcome/s	Progress Markers/Targets Year 1	Progress Markers/Targets Year 2	Progress Markers/Targets Year 3	MOV/Responsibility
CSC demonstrates improved ability to develop and amend the HR governance framework.	<p>Continued with the implementation of HR/IR governance framework.</p> <p>National Legal officer trained and performed independently.</p> <p>CSC, MoSA and MoF discussing priorities – by end of year 4.</p>	<p>Amendment of the HR/IR governance framework approved.</p> <p>Targeted socialization and early implementation commenced.</p> <p>Less dependency on GfD to develop the draft framework.</p> <p>National Legal officer recruited to support CSC.</p> <p>CSC, MoSA and MoF implement some technical works – GfD support based.</p>	<p>Government priorities are clearly understood by CSC.</p> <p>HR/IR governance framework drafted</p> <p>HR/IR governance framework consultation conducted (discussion, getting feedback, agreed,) with CSC commissioners and DGs.</p> <p>HR/IR governance framework consultation conducted externally with key directors from line ministries and institutions.</p> <p>GfD understands shared priorities that have genuine ownership from GoTL (PM and CSC).</p> <p>CSC, MoSA and MoF engage on key policy issues through GfD support.</p>	<p>Sample review of recruitment processes.</p> <p>Sector program reports</p> <p>CSC interviews</p> <p>Imp Team report</p> <p>CSC reports</p> <p>Government Gazette</p> <p>Remuneration Issues paper</p> <p>CSC training reports</p> <p>Review of analysis and research reports</p> <p>Implementing Team progress reports</p> <p>Advisor and MC progress reports</p> <p>Review of GoTL central agency and relevant line ministry reports – MoF, CSC, MSA, AND, MoSA.</p> <p>Review of STA technical reports</p> <p>Review of relevant DFAT sector program reports.</p> <p>Review and analysis of program partners progress reports, research, evaluation reports.</p> <p>Base line survey on sub national service delivery discussed and agreed with MSA;</p> <p>Base line survey on MoSA capability discussed and agreed and implemented.</p> <p>CSC's internal capability is developed.</p> <p>Utilised for:</p> <p>Support and inform program planning</p>
Line Ministers are accepting CSC advice and complying with HR policies.	<p>Relationships continue with HR managers in line ministries and CSC</p> <p>HR managers from line ministries come to CSC for consultation and advice.</p> <p>Line ministries are more aware of the role of CSC in HR management.</p> <p>CSC supports professional development of HR managers in line ministries.</p>	<p>Relationships continue with HR managers in line ministries and CSC</p> <p>HR managers from line ministries come to CSC for consultation and advice.</p> <p>Line ministries are more aware of the role of CSC in HR management.</p> <p>CSC supports professional development of HR managers in line ministries.</p>	<p>Relationships continue with HR managers in line ministries and CSC</p> <p>HR managers from line ministries come to CSC for consultation and advice.</p> <p>Line ministries are more aware of the role of CSC in HR management.</p> <p>CSC supports professional development of HR managers in line ministries.</p>	<p>Review of STA technical reports</p> <p>Review of relevant DFAT sector program reports.</p> <p>Review and analysis of program partners progress reports, research, evaluation reports.</p> <p>Base line survey on sub national service delivery discussed and agreed with MSA;</p> <p>Base line survey on MoSA capability discussed and agreed and implemented.</p> <p>CSC's internal capability is developed.</p> <p>Utilised for:</p> <p>Support and inform program planning</p>
Line ministries improved administration of HR functions	<p>Numbers line ministries are administering decentralised recruitment process.</p> <p>Line ministries using the revised performance evaluation system.</p> <p>Line ministries are using HRM with compliance.</p>	<p>Numbers line ministries are administering decentralised recruitment process.</p> <p>Line ministries using the revised performance evaluation system.</p> <p>Line ministries are using HRM with compliance.</p>	<p>Numbers line ministries are administering decentralised recruitment process.</p> <p>CSC reviews and improves performance evaluation system.</p> <p>HR manager's line ministries are aware of HR Manual through dissemination and trainings of trainers.</p>	<p>Base line survey on MoSA capability discussed and agreed and implemented.</p> <p>CSC's internal capability is developed.</p> <p>Utilised for:</p> <p>Support and inform program planning</p>

CSC providing advice and options to government on HR and public sector reform.	Numbers of policy and legislation proposals submitted to council of ministers. Increased take up by government of CSC recommendations. Government relay on CSC as the source of HR policy development for public sector.	Numbers of policy and legislation proposals submitted to council of ministers.	Numbers of policy and legislation proposals submitted to council of ministers.	and implementation of new mini-programs and activities. Cross program learning and harmonisation. Basis for findings report to be used during R&R workshop and progress report. Program accountability. Sharing and learning with GoTL and partners. Program monitoring. Using GoTL data collection and M&E for program needs rather than operating parallel systems.
Evaluative Questions				
What holds back the CSC from being more responsive to the needs of Line Ministries? Does CSC have sufficient capability to deliver its mandates? Is the CSC mandate reflected in the workforce planning?				

Work Area 4. Telecommunications Goal: ANC delivers on its mandate and issues licenses and delivers on its mandate.				
4-Year Outcome/s	Progress Markers/Targets Year 1	Progress Markers/Targets Year 2	Progress Markers/Targets Year 3	MOV/Responsibility
Operators are able to gain regulation licenses and registration on application.	Confidence of president to make decision – first board meeting on 20 th March 2015 – decision on Wifi CL and EPRB CL. Confidence in staff to push for decision making. Begin to issue apparatus license. Baby steps – class licensed	Regularly issue licenses. Perform range of regulatory. Protects the consumer. Make economic and pricing decision.	Confidence of president to make decision – first board meeting on 20 th March 2015 – decision on Wifi CL and EPRB CL. Confidence in staff to push for decision making. Begin to issue apparatus license. Baby steps – class licensed	Assessment report. Advisor quarterly progress reports. Review of ANC reports. Review of Spectrum Plan. Report on carriers' coverage.
ANC is ensuring that carriers are registering users of SIM cards.	Enforced determination	Determination is made/enforced	Drafted determination on Sims	
ANC develops and implements a consumer protection code.	Enforced	Determination	Consumer Protection code drafted	
New spectrum is released to enable stronger telecoms services.	Proposal and released	N/A	N/A	
Universal Service charter is developed to facilitate internet access in remote areas.	Consult and action	Drafting service charter	N/A	
Competition policy is developed to ensure equitable access.	Developed competition policy	Economic advice	N/A	
Staff become competent, confident and deliver on mandate.	Training mentor - Complex full range	Training and mentor – Modernised the regulatory function	Basic Policy and regulatory function service in place	
Evaluative Questions				
What holds back the ANC from pushing for better telecommunication reform? How far has the government progressed, and how far has it to progress, on the telecommunication issue? How relevant is the analysis of the GfD program to the current telecommunication issues that the government/Regulator is currently pursuing? What are the gaps? Does ANC has sufficient capability to deliver its mandates and able to run itself by June 2017?				

Work Area 5. Economic Policy Goal: Increasing number of private sector businesses operating and investing in Timor-Leste				
4-Year Outcome/s	Progress Markers/Targets Year 1	Progress Markers/Targets Year 2	Progress Markers/Targets Year 3	MOV/Responsibility
Improved enabling environment for private sector businesses.	<p>Coordinating Minister has a strategy in place to improve the enabling environment.</p> <p>Legal framework to accompany the strategy has been approved and is in place.</p>	<p>Coordinating Minister is implementing a strategy to improve the enabling environment.</p> <p>Legal framework to accompany the strategy is being implemented.</p>	<p>Coordinating Minister is implementing a strategy to improve the enabling environment (year 2).</p>	<p>Review of analysis and research reports</p> <p>Implementing Team progress reports</p> <p>Review of STA technical reports</p> <p>Advisor and MC progress reports</p>
GoTL is using analysis to inform economic and fiscal policy	<p>Coordinating Minister understand the value of using economic analysis in decision-making.</p> <p>DFAT/GfD has strong partnership around economic with the government.</p> <p>Research and Planning Unit is established by the end of 2015.</p>	<p>There is capacity in Coordinating Ministry to utilise policy analysis and advice.</p> <p>Coordinating Ministry and other relevant Government ministries are consulting on economic policy advice and analysis.</p> <p>DFAT credibility becomes more strong and reliable to Coordinating Minister.</p> <p>Research and Planning Unit is utilising economic analysis data.</p> <p>Government ministries are seeking to work with DFAT, and others, on developing analysis of economic policy.</p>	<p>GoTL is identifying areas of enquiry and using economic analysis on a regular basis.</p> <p>The quality of research and the information provided by the Coordinating Minister improves.</p> <p>Independent and high quality analysis is reflected in government economic decision making.</p>	<p>Review of GoTL central agency and relevant line ministry reports – MoF, CSC, MSA, AND, MoSA.</p> <p>Review of relevant DFAT sector program reports.</p> <p>Review and analysis of program partners' progress reports, research, evaluation reports.</p> <p>Utilised for:</p> <p>Support and inform program planning and implementation of new mini-programs and activities.</p> <p>Cross program learning and harmonisation.</p> <p>Basis for findings report to be used during R&R workshop and progress report.</p> <p>Program accountability.</p> <p>Sharing and learning with GoTL and partners.</p> <p>Program monitoring.</p> <p>Using GoTL data collection and M&E for program needs rather than operating parallel system</p>
DFAT's development partners are aligned on the key economic policy priorities.	Development partner key documents/reports reviewed to assess alignment and take action if not.	<p>Regular review of development partner's reports to assess if aligned and action taken if not.</p> <p>Numbers of recommendations are provided to DFAT's development partners. This will help ensure alignment with DFAT.</p> <p>Numbers of discussions held between DFAT and development partners on key economic priorities.</p>	<p>Regular review of development partner's reports to assess if aligned and action taken if not.</p> <p>Numbers of recommendations are provided to DFAT's development partners. This will help ensure alignment with DFAT.</p> <p>Numbers of discussions are held between DFAT and development partners on key economic priorities.</p>	
DFAT is operating from a stronger analytical base (strong pro-poor approach) and using economic	Analytical gaps in the economic and social space have been identified. GfD is identifying areas of enquiry	<p>GfD has a regular review process for identifying analytical gaps.</p> <p>DFAT sector programs are using</p>	<p>GfD continue to review and identify analytical gaps.</p> <p>DFAT sector programs accessing</p>	

analysis to make decisions.	and using economic analysis on a regular basis in particular at each R&R to inform and adjust strategy. DFAT sector program accessing economic analysis data to inform and adjust strategy. DFAT has stronger knowledge base of barriers to women economic empowerment.	economic analysis on a regular basis. DFAT has stronger knowledge base of barriers to women economic empowerment.	economic analysis data to inform and adjust strategy. DFAT has stronger knowledge base of barriers to women economic empowerment.	
Evaluative Questions				
Is Co-ordinating Office is functioning and capable of undertaking necessary roles and responsibilities? Does the Coordinating Minister prioritise based on sound analysis and evidence. Is statistical data available and how good is it? How receptive is GoTL to economic analysis? Does the Coordinating Minister have influence? Are DFAT program teams are receptive to using economic analysis?				