

# TIMOR-LESTE ROADS FOR DEVELOPMENT-SUPPORT PROGRAM MID-TERM REVIEW

## MANAGEMENT RESPONSE - AUGUST 2018

### Activity Summary

Rural roads are critical for Timor-Leste's social and economic development. With around 70 percent of Timor-Leste's population living in rural areas, good rural roads provide people with access to a range of important services including health centres, education facilities and markets. Road transport is the primary mode of transportation in Timor-Leste and rural roads make up the majority of the country's road network (3,025km from a total of 5,320km of roads). Around 70 percent of rural roads are in poor condition and rural communities continue to view roads as a development priority.

The **Roads for Development (R4D)** program began in March 2012. R4D is the Government of Timor-Leste's (GoTL) leading rural roads program, implemented by the Ministry of Public Works (MPW), to improve the management and condition of Timor-Leste's rural road network. The Australian development program provides technical assistance through the International Labour Organization (ILO) to support R4D (Phase I AUD36 million 2012-2017 and Phase II up to AUD26 million 2017-2021).

The overall goal of Australia's R4D-Support Program (R4D-SP) is women and men in rural Timor-Leste are deriving social and economic benefits from improved road access. The program has three intended end-of-program outcomes: (1) GoTL is effectively managing rural roads at national and municipal levels; (2) improved rural road access to selected rural communities; and (3) increased skills, employment and income in selected rural communities. A key focus of R4D-SP is to strengthen the capacity of the Directorate of Roads, Bridges and Flood Control (DRBFC) within MPW to oversee the rehabilitation and maintenance of rural roads using private sector contractors and community labour.

### Evaluation Summary

#### *Purpose*

The Department of Foreign Affairs and Trade (DFAT) commissioned an independent mid-term review (MTR) of R4D-SP to assess: the progress of R4D Phase II; compliance with staffing and financial commitments outlined in the Subsidiary Arrangement between the Australian Government (GoA) and the GoTL; R4D-SP progress against Phase II program outcomes; and the delivery partner's ability to address program constraints. The MTR will inform DFAT's decision on whether to continue with the second two-year period of R4D-SP.

#### *Approach and Methods*

A Steering Committee consisting of DFAT (Dili Post, Timor-Leste Section, and Infrastructure Policy Section), M&E House and the ILO was established to oversee the development and implementation of the review. The review methodology included:

- a document review and qualitative analysis;
- a three-week in-country mission from 2-20 July 2018 which included interviews, focus group discussions and field observation visits in two municipalities (Bobonaro and Liquica); and

- presentation of preliminary findings and the draft final report to the Steering Committee for feed-back.

### *Main Findings*

**Effectiveness:** The review highlighted the positive social and economic impact of improved rural roads for communities. Overall R4D-SP has made good progress building technical capacity in some areas and establishing technical standards and guidelines for DRBFC and other road management actors. Progress has been slower in formal governance and collaboration arrangements, policy adoption and institutional reform. While the program is likely to meet many of its intermediate outcomes within three to four years should high-level GoTL support improve and continue, it is unlikely to meet its end-of-program outcome with GoTL effectively managing rural roads due to systemic issues beyond R4D-SP's control. However, R4D-SP may be able to positively influence many of these systemic factors. While insufficient progress has been made to address constraints to the enabling environment, the groundwork (policies and plans) has been established to support more strategic engagement with the 8<sup>th</sup> GoTL. There has been good informal coordination by the ILO with key road actors to progress interventions and constraints to the enabling environment. But formal inter-ministerial structures or donor coordination mechanisms have not been implemented and these could improve R4D-SP's effectiveness.

**Relevance:** R4D-SP remains highly relevant to GoA's and GoTL's development priorities and rural communities in Timor-Leste. Rural road infrastructure provides the foundation for other economic and social development investments and can make a significant contribution in the long term to agricultural trade and the wellbeing of Timorese people. While the GoTL will not meet its 2018 financial commitments in the Subsidiary Arrangement due to no capital funds being approved in a state budget this year, there are early indications the new GoTL is likely to exceed this commitment going forward. In terms of staffing, it is likely the GoTL will meet Subsidiary Arrangement commitments if newly assigned staff engage with the program. Capital and operational funding commitments are likely to be adequate for the next period, and the allocation of staff is now appropriate. However, staff assigned to the program are not always available due to competing demands, and there are indications that not all staff attend training due to other commitments. Decentralisation will improve staff availability at the local level by increasing the number of engineers and supervisors.

Commitment from Ministries and Departments towards formal cross-government coordination has been low although informal mechanisms have been good. There is currently widespread government commitment and political goodwill towards rural road development and associated capacity-building and the Rural Road Master Plan and Investment Strategy (RRMPIS) has provided a mechanism to engage senior officials and politicians. Discontinuing R4D-SP would lead to a significant loss of investment in capacity development and a deterioration in rural road access. While some areas may progress, most would revert to previous practices and it's unlikely other donors would step in to support rural road development at this stage. Rural roads provide the necessary access that supports a range of other Australian government investments. While there are no detailed cost-benefit analyses of the implications, a decline in rural road quality and access will affect community access to health, education and markets.

**Value for Money:** ILO is well placed to deliver the technical elements of R4D-SP but currently lacks the staffing profile and systems to deliver the strategic influence required to strengthen the enabling environment. R4D-SP is beginning to demonstrate cost effective results through the wider adoption of technical guidelines and standards by other road actors. Collaboration and coordination with other programs could achieve improved economic and social outcomes and add value. Embedding ILO advisers within MPW has been cost-effective and resulted in value added benefits, including strong relationships. The unintended consequence is that ILO staff end up doing some work, however this process is now being transitioned towards capacity-building instead of substitution. R4D-SP has several documents 'driving' implementation and the lack of coherence between some

areas needs to be addressed to avoid negatively impacting management systems, implementation and reporting. Delayed payment systems at GoTL level have hampered the overall cost-effectiveness of the program and progress at many levels.

**Sustainability:** Key informants agree that R4D has a long way to go before it can be deemed sustainable and independent of donor assistance. There have been gradual improvements in technical capacity with some areas advancing more than others. A more systemic approach is required with an increased emphasis on building municipal-level capacity as responsibilities continue to devolve. There are positive indications that GoTL will commit sufficient capital funds to rural road maintenance and that the RRMPIS will be implemented in the longer term. Early informal indications are that GoTL funding for rural roads in 2019 is likely to meet the annual requirement of the RRMPIS (USD20 million). Should this capital budget be made available on time, it is unlikely DRBFC and contractors will have the capacity to expend the funds within the financial year without significant support across a range of areas. The more urgent concern is to ensure sufficient operating and maintenance budgets are provided so staff can continue to monitor, supervise and improve. MPW needs to develop a professional and technical development program to sustain a workforce that can consistently apply the required technical road standards based on a core contingent of staff trained by the ILO. A whole of government approach, through an inter-ministerial committee, is required to institutionalise the policies, systems, budget allocations, guidelines and standards to sustainably manage rural roads to required standards.

## Individual management response to the recommendations

Recommendation	Response	Action plan	Timeframe
<p>Recommendation 1</p> <p>ILO should seek to increase the program’s capacity to provide high-level strategic oversight and engagement with the GoA’s Department of Foreign Affairs and Trade (DFAT), donor programs, and the GoTL as the new government and decentralisation process begins to take effect. This is when the program needs to be its most influential to establish the enabling environment for rural road development.</p>	<p>Agree</p>	<p>ILO will work with DFAT to adequately resource the program so that it can provide the high level strategic oversight required to effectively engage with relevant GoTL and road sector stakeholders.</p>	<p>Resourcing in place no later than end of March 2019.</p>
<p>Recommendation 2</p> <p>ILO and DFAT should support a donor coordination committee involving DFAT, Asian Development Bank, World Bank, the Japanese International Cooperation Agency and the European Union to establish key positions (and leverage) on integrated road development, budgeting, planning and expenditure management in order to collectively influence the GoTL.</p> <p>Common issues to be addressed include delayed payments, maintenance funding, tendering and procurement, environmental licensing, and information systems to support road asset management and evidence-based decision making.</p>	<p>Agree</p>	<p>DFAT will work with R4D-SP and other donors to establish an appropriate mechanism to facilitate increased coordination and strengthen collective advocacy to the GoTL on common issues. R4D-SP will draft clear terms of reference for agreement from DFAT and other donors.</p>	<p>Mechanism agreed and established by end of December 2018</p>

Recommendation	Response	Action plan	Timeframe
<p>Recommendation 3</p> <p>ILO and DFAT should seek to influence GoTL to establish an inter-ministerial committee and technical working group (with a corresponding agenda) as a matter of priority to strengthen the enabling environment and collectively address issues such as payment delays and environmental licenses.</p>	Agree	<p>DFAT and R4D-SP will review the existing draft terms of reference for the committee and working group (developed during Phase II) and present these to the GoTL for discussion and agreement. If the GoTL agrees, R4D-SP will support DRBFC to provide secretariat support as required for these meetings.</p>	<p>By end of March 2019 but subject to finalisation of the structure of the 8<sup>th</sup> Constitutional Government.</p>
<p>Recommendation 4</p> <p>ILO should develop a R4D-SP stakeholder engagement and communication plan based on a detailed stakeholder analysis (following the recent government elections) and needs of key Official Development Assistance (ODA) organisations. This will result in an internal communications strategy to support DFAT with the necessary tools to engage in policy dialogue, gain commitment, maintain relevance, initiate institutional reform and capitalise on other DFAT initiatives through coordination. This plan should include events that celebrate the commencement and completion of roads to give officials the opportunity to engage with the program.</p>	Agree	<p>R4D-SP will develop a stakeholder engagement and communication plan for discussion and finalisation with DFAT.</p>	<p>By end of December 2018 but subject to finalisation of the structure of the 8<sup>th</sup> Constitutional Government.</p>

Recommendation	Response	Action plan	Timeframe
<p>Recommendation 5</p> <p>ILO and DFAT should strengthen support to GoTL’s decentralisation agenda and workforce planning in the MPW and Ministry of State Administration (MSA) with reference to rural road development (perhaps in collaboration with Governance for Development). This is an opportunity to learn from decentralisation initiatives in other countries to ensure rural roads are adequately supported at the local level.</p>	Agree	R4D-SP will engage closely with DFAT, Australia’s Governance for Development (GfD) and PNDS-SP programs and other relevant stakeholders as decentralisation progresses, and provide advice to DFAT and GfD on relevant issues as they arise to inform decision-making.	Ongoing
<p>Recommendation 6</p> <p>ILO should review and strengthen the capacity-building framework (using a more integrated systems approach, for instance McKinsey’s 7S<sup>1</sup> framework) to address key reforms, including decentralisation (e.g. capacity-building needs at the municipal level). For instance, include training on leadership, performance management, governance, organisational development, change management and anti-corruption under a decentralised model. The framework should be explicit about ongoing system improvement, sustainability, graduation from assistance and strategies to build capacity at the municipal level with limited resources.</p>	Agree	R4D-SP will review and develop a strengthened capacity-building framework in consultation with relevant GoTL stakeholders and other Australian investments including GfD. R4D-SP will revise the framework periodically as decentralisation progresses.	By end of March 2019 and ongoing

<sup>1</sup> See <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/enduring-ideas-the-7-s-framework>

Recommendation	Response	Action plan	Timeframe
<p>Recommendation 7</p> <p>ILO should work closely with other grant programs to promote synergies between improved road access and support for local economic development, small business, and health and education facilities.</p>	Agree	R4D-SP will work with Australian programs, other donor programs, the GoTL and private sector stakeholders to maximise local economic and social development.	Ongoing
<p>Recommendation 8</p> <p>ILO should improve the coherence between documents driving implementation (e.g. the Design Update Annex, Capacity Development Implementation Plan and M&amp;E Plan) so that reporting on progress towards intended outcomes is clear, and staff understand implementation priorities and determinants of success.</p>	Agree	R4D-SP will work closely with DFAT and M&E House to improve the coherence of relevant implementation documents.	By end of March 2019
<p>Recommendation 9</p> <p>ILO should work with the MPW to institutionalise and support a professional and technical development program that includes building a pool of trainers to cover the basic functions currently being supported by ILO, including support at the municipal level. This program would include sourcing private sector training providers where available. Funding from the Human Capital Development Fund (HCDF) should be sought to start this initiative.</p>	Partially Agree	<p>DFAT and R4D-SP will consult with MPW on the feasibility of developing a professional and technical program. If MPW agrees, R4D-SP will support MPW to establish the program.</p> <p>R4D-SP and MPW will discuss the feasibility of sourcing HCDF funds to support this initiative.</p>	Ongoing

Recommendation	Response	Action plan	Timeframe
<p>Recommendation 10</p> <p>ILO should work with the MPW on the implementation of the Integrated Road Management Information System (IRMIS) and geographical information systems (GIS) to bring key stakeholders (e.g. donors and GoTL agencies) together based on the need for good information and evidence-based decision making (e.g. prioritisation and assessment of emergency contracting versus planned activities). ILO should also ensure the MPW has sufficient ongoing resources and support services to maintain these systems.</p>	<p>Agree</p>	<p>R4D-SP will continue to progress work on the IRMIS and GIS and consider how MPW and other stakeholders can better use this information to support evidence-based decision-making. R4D-SP will also work with MPW to ensure it has sufficient ongoing resources.</p>	<p>Ongoing</p>