



Roads for Development Support Program (R4D-SP) Mid-Term Review Report

Department of Foreign Affairs and Trade
May 2018

Background

Nearly 70% of Timor-Leste's population live in rural areas, and over 68% of rural roads are in poor condition¹. Good roads underpin local economic development, improve the livelihoods of rural communities, and increase social development and wellbeing through better access to education and health facilities. The need for good rural roads is widely recognised in Timor-Leste with recent community surveys indicating that rural communities consider poor roads as one of the biggest constraints to rural development.

The Governments of Australia (GoA) and Timor-Leste (GoTL) have been committed to improving rural roads in Timor-Leste and jointly funded the Roads for Development (R4D) program between March 2012 and March 2017. GoA contributed AUD36 million and GoTL provided approximately USD19.5 million to capital works. Technical assistance was managed by the International Labour Organization (ILO). Phase II of the R4D program was designed as a four year support program (referred to as R4D-SP) commencing in April 2017 and was focused on building the capacity of the Timor-Leste Government to rehabilitate and maintain rural roads.

The GoA agreed to contribute up to AUD26 million toward the R4D-SP technical assistance through a grant arrangement with the ILO, while the GoTL has committed to providing just under USD14 million for capital and operational costs of the first two years of Phase II (April 2017 to March 2019).

Purpose

This independent Mid-Term Review (MTR) of R4D-SP was commissioned by the Australian Embassy in Timor-Leste and conducted between May and July 2018, approximately 13 months after R4D-SP's commencement in April 2017.

The purpose of the MTR is to provide information to inform the Australian Government's ongoing investment in R4D Phase II, specifically its financing of the second two-year period of R4D-SP. It evaluates the program's progress towards intended outcomes, its ability to address constraints, and compliance with commitments outlined in the Subsidiary Arrangement between GoA and GoTL. It assesses R4D-SP's relevance, effectiveness, value for money and sustainability and provides recommendations to improve implementation.

1 Strategic Development Plan (2011-2030), Government of Timor-Leste, July 2011.

Main findings

Effectiveness: The positive social and economic impact of improved rural roads on communities were well demonstrated and documented during R4D Phase I. This motivated counterpart staff and increased confidence in the program going into Phase II. Overall, R4D-SP has made good progress in building technical capacity in some areas, and in establishing technical standards and guidelines for adoption within the Directorate of Roads, Bridges and Flood Control (DRBFC) and by other actors involved in road management, including Australian investments (e.g. National Suco Development Program Support Program- (PNDS-SP)), and donors (e.g. the Asian Development Bank (ADB)). Progress has been slower in formal governance and collaboration arrangements, policy adoption and institutional reform. The program is likely to adequately meet many of the intermediate outcomes within 3–4 years should high-level support from GoTL improve and continue for the duration of the program. However, it is unlikely to meet its predetermined end-of-program outcome of GoTL effectively managing rural roads at the national and municipal levels in a sustainable way. Nevertheless, the program may be able to exert positive influence on many systemic factors that are beyond the control of R4D-SP, such as operational budgets, training and professional development systems, information systems support, and decentralised support.

Insufficient progress has been made in addressing the constraints to the enabling environment for rural roads during R4D-SP, due to the unstable political situation and limited extent of influencing activities. However, the groundwork (policies and plans) has been established to engage more strategically with the 8th Government of Timor-Leste. There has been good informal coordination by ILO between 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. These have been identified as mechanisms that could help facilitate improvements in the program's effectiveness.

Relevance: R4D-SP remains highly relevant to the development priorities of GoTL, GoA and the rural communities of Timor-Leste. Rural road infrastructure provides the foundation for other economic and social development investments. In the long term, rural road infrastructure can make a significant contribution 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 positive indications that the new GoTL is likely to exceed this funding commitment going forward. In terms of staffing commitments, 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, such as dealing with emergency contracts. There are also indications that some staff do not attend training due to other commitments. However, the decentralisation agenda of the government 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 at the national and municipal levels. Demonstrated impacts of Phase I appear to have increased confidence in the program, and the Rural Road Master Plan and Investment Strategy (RRMPIS) has provided a mechanism to engage senior officials and politicians in the program.

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. It is unlikely other donors would step in to support rural road development, to the extent that GoA does, at this stage. Rural roads provide the necessary access that supports a range of other Australian government investments such as PNDS-SP and the Partnership for Human Development (PHD). While there are no detailed cost-benefit analyses of the implications, a decline in rural road quality and access (as a result of road deterioration) will affect community access to health, education and markets.

Value for money: ILO is well placed to deliver the technical elements of R4D-SP efficiently, but currently lacks the staffing profile to deliver the strategic influence required to strengthen the enabling environment. Particularly notable problems are payment delays (caused mainly by National Development Agency (ADN - Agência do Desenvolvimento Nacional) processes and the impact of the ongoing decentralisation process on operations of municipal-level Ministry of Public Works (MPW) and Ministry of State Administration (MSA) staff.

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 added value. The implementation approach of embedding ILO advisers within the MPW has been cost-effective and resulted in value-added benefits, including strong relationships.

The unintended consequence, however, is that ILO staff end up doing some of the work. This process is now being transitioned towards capacity-building instead of capacity substitution.

Several documents are driving R4D-SP implementation, such as the Design Update Annex (DUA), Capacity Development Implementation Plan (CDIP), Monitoring and Evaluation (M&E) Framework and revised Theory of Change. This has been a result of the evolving nature of the program. The lack of coherence between some areas needs to be addressed to avoid negatively impacting on management systems, implementation and reporting.

Delayed payment systems at GoTL level have hampered the overall cost-effectiveness of the program and have had hindered progress at many levels.

Sustainability: R4D-SP has taken positive steps towards achieving more sustainable outcomes, but all key informants agree that the program has a long way to go before it can be deemed sustainable and independent of donor assistance. Capacity-building is a long-term investment. There have been gradual improvements in technical capacity, with some areas advancing more than others. A more systemic approach is also required to build on the initial gains made, taking into account support through policies, processes and systems, with an increased emphasis on building capacity at the municipal level 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 that DRBFC and contractors will have the capacity to expend the capital funds within the financial year without significant support across a range of areas including design, procurement, contract management and supervision. The more urgent concern is to ensure sufficient operating and maintenance budgets are provided so staff can continue to monitor, supervise and improve at a rate commensurate with their current absorptive capacity.

To achieve sustainable outcome the 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 ILO that can act as future mentors. 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.

Recommendations

The key findings from the MTR support the following recommendations to R4D-SP, should GoA's investment in R4D-SP continue:

1. 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.
2. ILO and DFAT should support a donor coordination committee involving DFAT, ADB, 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. 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.
3. 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.
4. ILO should develop a R4D-SP stakeholder engagement and communication plan based on a detailed stakeholder analysis (following the recent government elections) and the 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.
5. ILO and DFAT should strengthen support to GoTL's decentralisation agenda and workforce planning and development in the MPW and 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.

6. ILO should review and strengthen the capacity-building framework (using a more integrated systems approach, for instance McKinsey's 7S² 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.
7. ILO should work closely with other grant programs to promote synergies between improved road access and support for local economic development, small business, health and education facilities.
8. ILO should improve the coherence between documents driving implementation (e.g. the DUA, CDIP and M&E Plan) so that reporting on progress towards intended outcomes is clear, and staff understand implementation priorities and determinants of success.
9. 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 should be sought to start this initiative.
10. ILO should work with the MPW on the implementation of the Integrated Road Management Information System and geographical information systems 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.

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

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