



# **Roads for Development Support Program (R4D-SP)**

## **Mid-Term Review Report**

Department of Foreign Affairs and Trade

August 2018



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# Acronyms and Abbreviations

<b>ADB</b>	Asian Development Bank
<b>ADN</b>	Agência do Desenvolvimento Nacional (National Development Agency)
<b>AUD</b>	Australian Dollar
<b>CTS</b>	Contractor's Tracer Study
<b>CDIP</b>	Capacity Development Implementation Plan
<b>CDO</b>	community development officer
<b>CSC</b>	Civil Service Commission
<b>DBTC</b>	Don Bosco Training Centre
<b>DFAT</b>	Department of Foreign Affairs and Trade – Government of Australia
<b>DRBFC</b>	Directorate of Roads, Bridges and Flood Control
<b>DUA</b>	Design Update Annex (Updated Project Document for R4D Phase II Program)
<b>EOPOs</b>	End of Project Outcomes
<b>ERA-AF</b>	Enhancing Rural Access – Agro Forestry (EU-funded rural roads project with technical assistance from ILO)
<b>EU</b>	European Union
<b>FGD</b>	Focus Group Discussion
<b>GfD</b>	Governance for Development
<b>GIS</b>	Geographic Information System
<b>GoA</b>	Government of Australia
<b>GoTL</b>	Government of the Democratic Republic of Timor-Leste
<b>IADE</b>	Instituto de Apoio ao Desenvolvimento Empresarial
<b>ICN</b>	Investment Concept Note
<b>ILO</b>	International Labour Organization
<b>IMRF</b>	Inter-Ministerial Roads Forum
<b>IRMIS</b>	Integrated Road Management Information System
<b>IT</b>	Information Technology
<b>JICA</b>	Japanese International Cooperation Agency
<b>KEQ</b>	Key Evaluation Question
<b>Km</b>	Kilometre
<b>LBM</b>	Labour Based Methods
<b>LBT</b>	Labour Based Technology
<b>MDIR</b>	Ministry of Development and Institutional Reform
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MPW</b>	Ministry of Public Works (formerly Ministry of Public Works, Transport and Communications - MPWTC)
<b>MSA</b>	Ministry of State Administration
<b>MTR</b>	Mid-Term Review
<b>ODA</b>	Official Development Assistance

<b>OECD-DAC</b>	Organisation for Economic Cooperation and Development - Development Assistance Committee
<b>PHD</b>	Partnership for Human Development
<b>PNDS</b>	National Suco Development Program (funded by GoTL)
<b>PNDS-SP</b>	PNDS Support Program
<b>R4D</b>	Roads for Development Program (Phases I and II)
<b>R4D-SP</b>	Roads for Development Support Program (R4D Phase II Technical Support)
<b>RRMPIS</b>	Rural Roads Master Plan & Investment Strategy
<b>RWG</b>	Roads Working Group
<b>SDGs</b>	Sustainable Development Goals
<b>SEFOPE</b>	Secretaria de Estado ba Formasaun Profisional no Empregu (Secretariat of State for Vocational Training and Employment)
<b>TOC</b>	Theory of Change
<b>TOMAK</b>	To'os ba Moris Di'ak, or Farming for Prosperity
<b>ToR</b>	Terms of Reference
<b>TWP</b>	Thinking and Working Politically
<b>USD</b>	United States Dollar (currency used in Timor-Leste)
<b>WB</b>	World Bank

# Executive Summary

## Introduction

This independent Mid-Term Review (MTR) of the Roads for Development Support Program (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.

Phase I of the Roads for Development (R4D), which ran from March 2012 to March 2017, was co-funded by the Government of Australia (GoA) and Government of Timor-Leste (GoTL) with technical assistance managed by the International Labour Organization (ILO). Agreements were signed for the implementation of a 4-year R4D Phase II from April 2017 to March 2021. (During Phase II the name R4D is used to refer to the program implementing physical works within the Ministry of Public Works (MPW), while the ILO technical assistance program funded by the GoA is referred to as R4D-SP.)

The GoA has agreed to contribute up to AUD26 million toward the R4D-SP technical assistance program, 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) to R4D. R4D-SP is a technical assistance program to enable GoTL to rehabilitate and maintain the rural road network using government systems. It was designed to be implemented over four years (April 2017 to March 2021) and builds on R4D Phase I (2012–17). In Phase I GoA contributed AUD36 million and GoTL provided approximately USD19.5 million to capital works, with ILO managing the procurement and delivery systems. This resulted in some capacity development but also capacity substitution. It did not lead to sustainable outcomes, although it did demonstrate the positive impacts of improved rural road access through rural road rehabilitation and maintenance.

R4D-SP is based upon a Subsidiary Arrangement that commits GoTL to funding all capital works and maintenance and providing sufficient staff to be trained in rural road planning, design, supervision, monitoring, rehabilitation and maintenance. This includes implementing labour-based rural roadworks that are community-based and that emphasise social inclusion and gender equality.

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.



## Methodology

The MTR approach consisted of three phases: (1) document review and qualitative analysis and preparation of the Review Plan; (2) field work comprising interviews, focus group discussions, and field observations; and (3) data analysis, synthesis, validation workshops and reporting. The review team consisted of a team leader/technical specialist in capacity development and governance, an evaluation specialist, and a national consultant. The review included a three-week in-country mission to Timor-Leste (2–20 July 2018) to conduct interviews and visit two selected municipalities.

The review produced the following documents: (1) A **Review Plan** which expanded on the Terms of Reference, including key evaluation questions and sub-questions, and detailed the approach and methodology; (2) a **Document Review Report**, which is a brief review of program documentation, including progress reports, against the program's intended outcomes and the key evaluation questions; and (3) a **Compendium of Interview Notes and an Evidence Matrix**, which summarises key points from all of the interviews conducted. These three documents were the main sources of evidence for the Review and were used for internal qualitative data analysis.

## 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 8<sup>th</sup> 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 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 decision to continue or cease funding the final two years of R4D-SP rests with GoA, based on information contained in this report.

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

# 1. Introduction

This independent Mid-Term Review (MTR) of the Roads for Development Support Program (R4D-SP) was commissioned by the Australian Embassy in Timor-Leste. The review was 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.

Phase I of the Road for Development (R4D) program, which ran from March 2012 to March 2017, was co-funded by the Government of Australia (GoA) and Government of Timor-Leste (GoTL) with technical assistance managed by the International Labour Organization (ILO). Agreements were signed for the implementation of a 4-year R4D Phase II from April 2017 to March 2021. (During Phase II the name R4D is used to refer to the program implementing physical works within the Ministry of Public Works (MPW), while the ILO technical assistance program funded by the GoA is referred to as R4D-SP.)

The MTR evaluated the program's progress towards intended outcomes, its ability to address constraints, and compliance with commitments outlined in a Subsidiary Arrangement between the GoA and GoTL. It assessed R4D-SP's relevance, effectiveness, value for money and sustainability, and generated recommendations to improve implementation.

## 1.1 Background

The R4D program began in March 2012; is the GoTL's leading rural roads program. With approximately 70% of Timor-Leste's population residing in rural areas, good rural road access is critical for improving local economic and social development. An improved rural road network provides the rural population with better access to a range of services including health centres, education facilities and markets. Rural roads make up the largest proportion of the country's road network, which includes approximately 1,426 km of national roads, 869 km of district roads and 3,025 km of rural roads. Nearly 70% of rural roads are in poor condition.

R4D was designed to assist the GoTL to improve the management and condition of its rural road network. The GoA, through its Department of Foreign Affairs and Trade (DFAT), funded the ILO to provide technical assistance to R4D between 2012 and March 2017 (Phase I). GoA provided AUD36 million and GoTL provided approximately USD19.5 million for R4D Phase I. Australia's funds contributed to capital works for road rehabilitation and maintenance, and capacity-building of GoTL staff, local road contractors and community maintenance crews. The main counterpart agency was the National Department of Roads, Bridges and Flood Control (DRBFC) under the MPW.

Prior to R4D the GoTL had no staff or resources specifically allocated to rural roads<sup>2</sup>. Capacity development was central to the original R4D design. The ILO made good progress in Phase I in terms of building capacity in engineering supervision, procurement, maintenance, social inclusion, gender equality, information systems and providing substantial training to contractors. However, capacity-building of staff in the DRBFC and Municipalities was limited due to the low capacity and capability of existing staff and

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2 Based on ILO's initial assessment.

systems, compounded by GoTL being unable to fulfil its commitments in providing all the required program staff and operational funds. As a result, the ILO technical team took on many of the responsibilities of DRBFC in an effort to (1) deliver improved rural roads to communities to demonstrate the social and economic benefits, and (2) demonstrate to staff in the Ministry the required capacities and capabilities needed to rehabilitate and maintain rural roads in good condition using local labour.

The ILO adopted the strategy of being co-located and embedded within DRBFC. While this assisted with demonstrating the skills required, establishing close working relationships and encouraging local staff to be more engaged in rural road management, ILO, to some extent, became the de facto rural roads department, resulting in a 'capacity substitution' effect; DRBFC became reliant on ILO to provide engineering and other ancillary services, as well as operational funds. The GoTL did provide capital works funding from 2014/15 onwards and assumed the responsibility for approving plans, budgets and contracts. GoTL also had a role in contract management, supervision and quality control.

One of the major achievements of R4D Phase I was the development and subsequent ministerial council endorsement of the Rural Road Master Plan and Investment Strategy (RRMPIS) and its accompanying detailed rural road investment plan. This document has been widely distributed, socialised and supported, and provides a substantial basis for the GoTL to plan, budget and implement a systematic rural road development program. In addition to providing a framework for the development and maintenance of rural roads, it provides technical standards and outlines institutional requirements to support the capacity development plan.

R4D Phase I faced several significant constraints because of institutional and operational challenges that diminished the effectiveness and sustainability of Australia's support and Timor-Leste's rural road development efforts broadly. Key challenges included:

- Unpredictable and insufficient GoTL operating funds and staffing resources
- Significant delays in payment to contractors, which in some instances caused conflict between community members, roadwork contractors and ILO staff
- The absence of an effective high-level coordination mechanism between relevant GoTL agencies, which hindered program delivery and GoTL's commitment of resources to the R4D program.

Key GoTL informants interviewed during this MTR acknowledged that the GoTL placed less priority on rural roads<sup>3</sup> assuming that it was being taken care of by R4D under ILO's management.

In order to address these challenges and ensure ongoing sustainability of rural road management, the GoA and GoTL agreed to fund a second phase of R4D. R4D Phase II refers to the program implementing physical roadworks through the MPW, while the ILO technical assistance fully funded by GOA is called the R4D-Support Program (R4D-SP) to be implemented over four years (April 2017 – March 2021). R4D-SP was designed in 2016, with GoA agreeing to contribute up to AUD26 million toward the R4D-SP technical assistance program through a Grant Arrangement with the ILO. GoTL 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). This arrangement was formalised through the

3 Some government informants noted that rural roads were not attractive to many politicians, who preferred the large-scale infrastructure programs. For rural roads they relied on the ILO rather than planning to take on the responsibility themselves. However, during the election period all political parties were committed to rural road development.



signing of a Subsidiary Arrangement<sup>4</sup> between GoA and GoTL that outlines the Phase II commitments of the two governments. The main commitments pertinent to this Review are given in **Box 1**.

The design for Phase II was completed in November 2016; it built on the original design, and was encapsulated in the Design Update Annex (DUA). The updated design refocused all the GoA's financial contributions on capacity development. All capital works (road rehabilitation and maintenance) were to be funded by the GoTL. The renewed focus on capacity development included ensuring the program aligned with the RRMPIS, creating a pipeline of contract packages (road designs and tender documents ready for procurement), and placing a greater focus on strengthening capacity at the municipal level to support decentralisation of rural road management to the local level.

#### **BOX 1. MAIN COMMITMENTS FROM THE GOVERNMENT OF TIMOR-LESTE TOWARDS R4D PHASE II UNDER THE SUBSIDIARY ARRANGEMENT**

##### **Management and coordination**

- Provide overall coordination of GoTL participation in R4D Phase II
- Disseminate information about R4D Phase II to all participating line agencies
- Ensure participating line agencies understand their responsibilities and work cooperatively
- Facilitate engagement with other national and local GoTL agencies that indicate their interest in being involved
- Facilitate approval of the R4D Phase II Review and the Annual Plan

##### **Staffing**

- Provide 10 personnel from the DRBFC and the Secretariat General to work on R4D Phase II at the National level.
- Provide 48 personnel from the DRBFC to work on R4D Phase II at the Municipal level. They will form teams of four in each municipality, comprising two engineering supervisors, one planner and one community development officer.

##### **Finance**

- The GoTL's financial contribution to R4D Phase II is estimated to be USD13,059,000 for the first two years (2017 & 2018). The GoTL contribution will cover both capital funding and operational costs of rural road rehabilitation and maintenance work associated with R4D Phase II.
- In 2017, GoTL will also contribute up to USD838,000 to the DRBFC with sufficient internal allocation to resource the operational costs of R4D Phase II. In 2018, GoTL will also give the DRBFC sufficient internal allocation to resource the operational costs of the activity.

<sup>4</sup> The Subsidiary Arrangement includes coordination and management arrangements; materials, services and equipment to be supplied; personnel; financial contributions; and monitoring, review, evaluation and reporting arrangements.

## 1.2 Current situation

R4D-SP has been implemented at a time when the 7<sup>th</sup> Constitutional Government, led by Fretilin, was unable to secure a majority in parliament and thus unable to have its program and associated 2018 budget passed. This affected all government and donor investments in similar ways, leading to delays in the allocation of capital budgets<sup>5</sup> and subsequent delays in programming and decision-making. Similarly, a government freeze on new public sector appointments since 2015 has affected the ability of departments such as DRBFC to appoint permanent staff to key positions<sup>6</sup>.

To break the political impasse, new elections were held on 12 May 2018, with the Alliance for Change and Progress (AMP) taking power. This has led to a revitalised government with the appointment of a new minister, (Hon. Salvador Soares dos Reis Pires) to the MPW (previously the Ministry of Development and Institutional Reform (MDIR)).

At the time of this MTR the Minister and his staff were undertaking an organisational diagnosis of the capabilities of the Ministry with a focus on providing improved services. The Minister is interested in building the technical capacity of the Ministry and introducing standards for road construction.

Concurrently there is an ongoing emphasis on the decentralisation agenda with functions such as rural road management being fully devolved to municipalities. While the DRBFC, within the MPW, has overall responsibility for the planning, design, implementation and maintenance of Timor-Leste's road network<sup>7</sup>, the implementation of rural roads has now been delegated to the municipal level as part of the decentralisation process. Within this structure, MPW staff (under the auspices of the Ministry of State Administration (MSA)) are responsible for the planning and supervision of rural road rehabilitation and maintenance, whilst design standards remain the responsibility of the national level Ministry staff. GoTL's decentralisation agenda provides opportunities for more effective capacity-building at the municipal level but is constrained by capital works funding controlled at the national level, and insufficient operational funding at the municipal level.

The Program of the Eighth Constitutional Government was approved by the Council of Ministers on 20<sup>th</sup> July. The priorities of the Government are consistent with the Strategic Development Plan 2011–2030 with a focus on a sustainable infrastructure including roads, water and power supply. The Prime Minister has reaffirmed the government's commitment to rural road management and agricultural development<sup>8</sup>. This has been captured in the goals and actions of its Program (Section 3.2, Page 49):

- Rehabilitate all rural roads, using local companies, implementing the Development Program of Rural Roads and the Rural Roads Master Plan and Investment Strategy
- Conduct annual surveys to monitor the road condition of all roads rehabilitated to determine maintenance needs.

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5 GoTL had sufficient capital works budget carryover from USD10million allocated in 2016 to 2017 and 2018. The inability to spend this amount in 2016 is partly a reflection of delays in payments and the limited capacity of the government and the local contracting industry.

6 The Civil Service Commission has recently completed government-wide diagnostics that may see a realignment of positions across government or a change in recruitment policy.

7 DRBFC fell under the MDIR in the 7<sup>th</sup> Government which came to power in 2017, and under the Ministry of Public Works, Transport and Communications during the 6<sup>th</sup> Government.

8 Based on notes of a declassified conversation between the Australian Ambassador and Minister for Public Works on 12 July 2018.

## 1.3 Objectives of the Mid-Term Review

The objectives of the MTR are:

1. To evaluate the progress of R4D-SP (Phase II) in terms of:
  - Compliance with staffing and financial commitments outlined in the Subsidiary Arrangement between GoA and GoTL
  - R4D-SP progress against Phase II program outcomes
  - The delivery partner's ability to address program constraints.
2. To assess what has been learned and recommend improvements to existing approaches and priorities in rural roadworks.

Australia's R4D-SP focuses on providing capacity-building support to GoTL and local contractors to implement R4D and is contingent on GoTL providing capital, operational and human resources to implement Timor-Leste's rural road program. Both the Subsidiary Arrangement between GoA and GoTL and the Grant Arrangement between DFAT and the ILO note that R4D-SP may be terminated at the mid-point (March 2019) if there are insufficient staffing and financial commitments from GoTL or progress does not justify proceeding with the program. The decision to proceed or terminate the program will be informed by this MTR.





## 2. Review approach and methodology

The MTR approach consisted of three phases: (1) document review and qualitative analysis; (2) field work comprising interviews, focus group discussions, reflection workshops and field observations; and (3) data analysis, synthesis and reporting.

The review team consisted of a team leader/technical specialist in capacity development and governance, an evaluation specialist, and a national consultant. The review included a three-week in-country mission to Timor-Leste (2–20 July 2018) to conduct interviews and visit two selected municipalities.

A steering committee, consisting of representatives of DFAT, M&E House and the ILO, was established to oversee the development and implementation of the review. M&E House was responsible for day-to-day management.

A Review Plan was developed to guide the review and included an updated Terms of Reference (ToR) which expanded on the key evaluation questions to include an evaluation of sustainability. The Review Plan was informed by the preliminary document review.

The review was designed to:

- Align with DFAT monitoring and evaluation (M&E) standards (Standards 5 and 6) and International Standards (e.g. Organisation for Economic Cooperation and Development - Development Assistance Committee (OECD DAC))
- Be inclusive, by involving key stakeholders in the design, data collection, analysis and reflection
- Be utilisation-focused, to provide evidence-based findings and practical recommendations to inform management decisions.

The review was guided by five key evaluation questions (KEQs) and associated sub-questions as outlined in **Table 1**. Changes were made to the KEQs initially put forward in the Review's ToR, including adding a sustainability criteria question and changing some ToR KEQs into sub-questions. This was done to better reflect the intention of the MTR and the assessments under the different criteria.



**Table 1. MTR key evaluation questions and sub-questions**

EVALUATION CRITERIA	KEY EVALUATION QUESTIONS AND SUB-QUESTIONS
<b>Effectiveness</b>	<ol style="list-style-type: none"> <li>1. To what extent is the R4D-SP making adequate progress towards achieving improved rural road access; increased skills, employment and income; and supporting GoTL to effectively manage rural roads? <ol style="list-style-type: none"> <li>a. What progress has been made against the immediate, intermediate and end-of-program outcomes in the draft R4D-SP Theory of Change?</li> <li>b. To what extent is the program addressing constraints identified at the end of Phase I, and key risks identified in the DUA?</li> <li>c. How likely is the program to meet its outcomes during the remainder of the investment period?</li> <li>d. What works well and what needs to change to improve the program's effectiveness?</li> </ol> </li> </ol>
<b>Relevance</b>	<ol style="list-style-type: none"> <li>2. To what extent is the program demonstrating alignment with GoTL's and GoA's development goals and national interests? <ol style="list-style-type: none"> <li>a. To what extent does the program remain relevant to the development priorities of GoTL and GoA?</li> <li>b. To what extent are GoA and GoTL making progress towards staffing and financial commitments outlined in the Subsidiary Arrangement, and what are the barriers towards meeting the Subsidiary Arrangement?</li> <li>c. What is the likely impact on Timor-Leste's development and other Australian investments should R4D-SP cease?</li> </ol> </li> </ol>
<b>Value for money</b>	<ol style="list-style-type: none"> <li>3. Is the current model of delivery efficient in progressing the program outcomes, particularly the change in approach taken in Phase II? <ol style="list-style-type: none"> <li>a. How efficient are ILO's key management systems for implementing R4D-SP Phase II, specifically in overcoming the constraints and risks?</li> <li>b. What changes, if any, should be made to improve the efficiency of delivering program outcomes, including utilising other delivery models?</li> </ol> </li> <li>4. To what degree did progress toward achieving outcomes justify the costs? <ol style="list-style-type: none"> <li>a. How has the move from capacity substitution to capacity-building affected the efficiency of progressing program outcomes?</li> <li>b. How is the investment leveraging off other Australian and other donor investment to overcome constraints and progress outcomes and what other opportunities exist?</li> </ol> </li> </ol>
<b>Sustainability</b>	<ol style="list-style-type: none"> <li>5. To what extent is implementation leading towards sustainable benefits and outcomes? <ol style="list-style-type: none"> <li>a. To what extent are DRBFC staff planning, designing, contracting and supervising the rehabilitation and maintenance of rural roads, with reduced input from ILO?</li> <li>b. How likely is it that GoTL will provide sufficient capital funds to maintain existing roads over the remainder of the implementation period?</li> <li>c. What would be the impact on progress to date if R4D-SP ceased?</li> <li>d. What needs to change, if anything, to make the program more sustainable?</li> </ol> </li> </ol>

## 2.1 Information collection and analysis

The review methods included:

- A desk study of existing documents, with a preliminary analysis of key findings against the KEQs summarised in a document review (see **Annex 1**). Additional documents were collected and analysed during the in-country mission<sup>9</sup>.
- Key informant interviews were the main data source (see **Annex 2** for a list of stakeholder groups consulted). Most of these were undertaken in person. The national consultant or an M&E House staff member acted as translator when required.
- Observational visits to two municipalities (Maliana and Liquica) to (a) conduct interviews with municipal-level stakeholders, (b) view rural roads under rehabilitation, under maintenance, and yet to be rehabilitated, and (c) visit material testing labs.

Comprehensive notes were taken during the interviews. Notes from all interviews were consolidated into a single compendium for data synthesis and analysis. Key themes from the interviews were arranged against the review sub-questions and summarised in an Evidence Matrix. In addition, the Evidence Matrix summarises:

- Evidence from the document and observational visits, and
- Relevant performance metrics and other quantitative data (e.g. budgets) from the document review.

Qualitative and quantitative data were analysed to inform the GoTL Commitment Analysis, which explored the many dimensions of commitment to the program, including:

- Leadership and policy commitments supported by inter-ministerial communication and governance mechanisms
- Data on tangible financial and staffing resources committed to supporting rural roads management, including forward plans and operational budgets
- Progress on removing barriers and constraints in the enabling environment (e.g. procurement, payments and environmental regulations)
- Commitment to transitioning to full responsibility for delivery at the central and municipal levels, including funding the ongoing technical and management training of staff
- Commitment to maintaining computing systems that underpin the rural road sector (e.g. geographic information systems (GIS))
- Planning and budgeting for future allocations for rural roads including updating past strategies and plans, and a decline in emergency contracting as forward plans are developed
- Development of a fully funded pipeline of projects including a commensurate operational budget and internal resources.

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<sup>9</sup> Many of these documents were technical manuals and were not assessed as part of the review, hence are not included in the document list in the **Annex 1**. Assessing the quality of the technical inputs was not part of the review process, although it was acknowledged.



Preliminary findings and recommendations were presented to the steering committee on 18 July 2018. The Review team considered the strength of evidence supporting the findings to be “moderate” under DFAT’s strength of evidence rubric:

- Most evidence was derived from a limited range of sources such as implementing agency reports, records of monitoring visits or records of discussions with partners and other stakeholders. Although many technical manuals and guidelines were provided, assessing technical quality was not part of the review
- Some evidence was verified from independent evaluations and research into impacts of the program.

## 2.2 Review limitations

The Review team noted the following limitations:

- The Review was undertaken immediately following the confirmation of the 8<sup>th</sup> Constitutional Government, so the new Vice Minister and Minister for Public Works were unable to be interviewed. However, the Australian Head of Mission met the Minister and the review team received a debrief.
- Visits were conducted to only two of the 12 municipalities covered by R4D-SP. These provided a good understanding of the physical and operational environment and quality of roadworks. However, there was no opportunity to compare the most and least successful municipal examples to gain a better understanding of what works and what doesn’t.
- Given the timing of the MTR and the new GoTL, it was not possible to confirm approved budgets for the next financial year, but there are positive early indications of the new GoTL’s commitment to funding rural roads going forward.
- Progress reporting was undergoing changes to align with the revised Theory of Change (ToC), Capacity Development Implementation Plan (CDIP) and M&E Plan, making it difficult to clearly understand the progress made over the last 13 months. This was compounded by a lack of clarity about what had been substantially completed during Phase I and what had been completed during Phase II. Although it can be extracted with further analysis (see **Annex 3**), reporting could be simplified for clarity. The Quarterly Capacity Development Reports help to address this issue to some extent, and there are now substantial efforts to align progress reporting with the ToC for the next report.

## 3. Effectiveness

This section addresses **KEQ 1: To what extent is the program making adequate progress towards achieving improved rural road access; increased skills, employment and income; and supporting GoTL to effectively manage rural roads?**

In the context of this MTR, effectiveness is the extent to which intended outcomes are being achieved based on the resources being invested and the degree to which constraints to the enabling environment are being addressed to accelerate progress and sustain institutional gains and benefits. The frame of reference for this assessment is the updated ToC (see **Figure 1**) captured in the revised M&E Plan (May 2018).

### 3.1 Progress towards immediate, intermediate and end of program outcomes

This section addresses sub-questions **1a** and **1c: What progress has been made against the immediate, intermediate and end-of-program outcomes in the draft R4D-SP Theory of Change? and: How likely is the program to meet its outcomes during the remainder of the investment period?**

**Finding: The positive social and economic impact of improved rural roads on communities were well demonstrated and documented during R4D Phase I. This has motivated counterpart staff and increased confidence in the program going into Phase II.**

**Finding: R4D-SP has made good progress in building technical capacity in some areas and establishing technical standards and guidelines for adoption within DRBFC. Progress has been slower in terms of formal governance and collaboration arrangements, policy adoption and institutional reform.**

**Finding: 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.**

The evidence matrices in **Annex 3** provide a list of findings against each of the intended outcomes based on interviews and document reviews. **Figure 1** provides an indicative assessment of progress against each of the outcomes. A summary of key findings is provided here.

Over the last 13 months R4D-SP has continued to build technical capacity at the national and municipal levels. DRBFC at national and municipal level have improved capacity to plan, procure and manage rural road projects<sup>10</sup>. Trained counterpart staff are gradually

<sup>10</sup> While the Review team's judgement was that DRBFC has improved its capacity, the extent of this improvement is unclear. Additional quantifiable information is needed on the way training has led to the uptake of roles and responsibilities in order to plan gradual disengagement and reallocation of support.

assuming responsibility for day-to-day implementation roles in procurement and contracts supervision and management of R4D projects implementation<sup>11</sup>. It is notable that since 2016 the Director of DRBFC is now fully in charge as the Chief Engineer of all awarded rural road contracts, and 12 staff from the Secretariat General led the procurement process, including pre-bid training, bid submission, bid evaluation and preparing contracts. However, they still stated that they needed support from the ILO.

A positive indication that capacity is increasing is the shift from being supply driven (ILO identifying training requirements) to demand driven (GoTL identifying its requirements based on acquired knowledge and skills). The GoTL is now asking for more assistance, particularly in areas such as cross-cutting issues, and staff are becoming more confident, taking more responsibility and requesting assistance when needed<sup>12</sup>.

Current progress in capacity development is a reflection of Phase I and Phase II initiatives supported by high staff retention rates. Many areas are developing to the point where they require minimal assistance or oversight to perform routine functions (e.g. procurement, information technology (IT), GIS, basic construction supervision, material testing, gender equality, social inclusion and environmental safeguards). However, wider practice and adoption of skills and knowledge in these areas is being hampered by insufficient operational budgets, particularly at the municipal level. Engineering services such as road, bridge and drainage design, as well as surveying using automated techniques, will require a substantially longer time and a significant investment in technology and systems to be sustainable.

At the municipal level, 12 municipal chiefs and 24 supervisors received training and on-the-job coaching in planning, design, contract documentation, project management, and quality assurance/control of rural roads using labour-based approaches (including bio-engineering). Thirteen Community Development Officers and other members of the DRBFC Environmental and Social Safeguards Unit attended capacity-building training organised by R4D-SP. At the local level, key informant interviews indicated that basic engineering supervision, social safeguards and routine maintenance were being adequately managed by local staff, but the interviewees reiterated the limitations created by having only 4 R4D-SP regional coordinators and a lack of personnel and operational budgets to sustain and expand capacity gains. Capacity-building at the municipal level continues to be a major challenge.<sup>13</sup>

Community development officers were trained by the program with a strong focus on social safeguards and community engagement. There has been an emphasis on social inclusion and employment for women and men. The community are engaged during the design process, which accounts for local concerns.

Progress in terms of institutional and systems reform, including policy adoption, has been minimal over the last 13 months, due in part to the uncertain national government situation. Many foundational plans, standards and policies have been prepared but are yet to be fully adopted or institutionalised by the GoTL. Many of these are captured in the RRMPIS and the draft Rural Road Policy.

Findings from the 2016 Contractor's Tracer Study (CTS) reported that the quality of work was positively impacted by the training the contractors had received. The CTS also found

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11 R4D-SP Progress Report #2 March 2018.

12 Focus group discussions with ILO counterparts and regional coordinators.

13 DRBFC.



that R4D-trained contractors substantially increased their annual business turnover as a result of the training and coaching they received from R4D. The CTS reported that of the 29 contractors who were awarded 2017 contracts, 14 (48.3%) were female contractors. During interviews with the Review Team, all contractors expressed their appreciation of the training provided by R4D-SP, in particular the 3–5 day pre-bid training. The quality of bids has been improving<sup>14</sup>. The number of contractors bidding for each of the rehabilitation contracts has also increased, but the number bidding for maintenance contracts has decreased (due to low margins and difficult locations)<sup>15</sup>.

Despite delays with payments, all interviewed contractors (five men and four women) confirmed that they would continue to bid for projects, but many had stopped construction due to lack of payment. It was noted during interviews that this was not only an issue with the National Development Agency's (ADN) detailed requirements for verification but also a reflection of the capacity of contractors to comply with requirements. Prior to working with R4D it was noted that many contractors had difficulty with basic contract compliance, including correctly filling out invoices<sup>16</sup>. This is becoming less of an issue as a result of the training R4D-SP provided.

There is clear recognition that improving rural roads delivers positive community benefits<sup>17</sup>. In terms of impact on the local community, 260,089 labour days (short-term employment) were created since April 2017, of which 29.8% were performed by women. About USD1.3 million has been paid in wages. Approximately 920,000 labour days of employment has been created since the start of R4D in 2012 and approximately USD4.6 million has been paid as wages to rural workers. The impact studies from Phase I have shown that rural road rehabilitation has led to a reduction in travel times by 50%; doubled weekly incomes from the sale of agricultural products; improved access to health care, education, social services and employment; and created general economic stimulus in communities with improved access. Some families were also migrating to the new roads from surrounding areas and establishing houses along the road.<sup>18</sup> These impacts were confirmed during the review team's visit to two communities in Bobonaro Municipality, one accessed by a rehabilitated road (Saburai), and one accessed with a yet-to-be rehabilitated road (Atus) - see **Box 2**.

**Figure 1** illustrates the achievements of Phase I (green shade) against the requirements for Phase II: building capacity and addressing critical barriers to effective implementation and sustainable outcomes. **The success of Phase II is not determined by whether rural roads deliver benefits to communities. Success is determined by whether the GoTL has sustainable systems and processes in place to improve and maintain rural roads to acceptable standards that deliver benefits to rural communities.**

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14 National Procurement noted a steady improvement in the overall quality of bids.

15 National Procurement.

16 Noted by DFAT and ILO

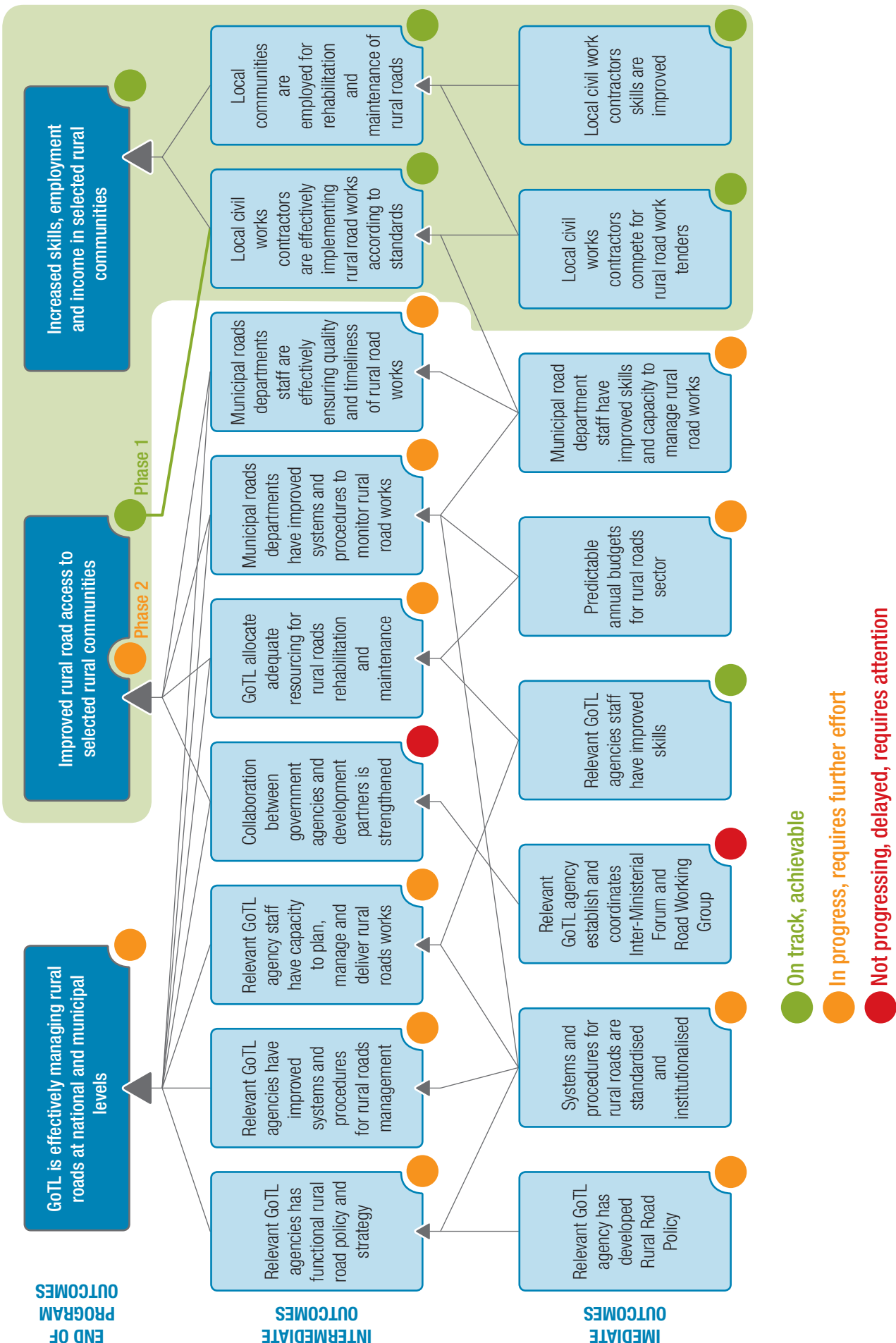
17 Reiterated field visits and discussions with the local community. Field observations indicated significant increases in local development due to improved accessibility.

18 Focus group discussion with regional coordinators

## BOX 2. THE IMPORTANCE OF GOOD RURAL ROADS: NEIGHBOURING VILLAGES, CONTRASTING DEVELOPMENT OUTCOMES

<p><b>Saburai</b>, a suco in Bobonaro Municipality (population 2355)</p> <p>Accessed via a recently completed R4D road rehabilitation project</p>	<p><b>Atus</b>, a sub-village of Gildapil suco, Bobonaro Municipality (population 758)</p> <p>Accessed via an unrehabilitated road</p>
<p>The people in Saburai can now access public transport to bring their products to market in Maliana. Some community members can work in Maliana and commute daily from Saburai. Household income has increased by 75%, according to the village chief. Before the road rehabilitation, the community used horses as transport. Now that the road has been rehabilitated, the community can access Maliana by mini truck, microlet (mini bus), and ojek (motorcycle taxi). There is an observable shift in the type of housing, with older stone and thatch structures being replaced with concrete block homes.</p> <p>The road rehabilitation provided local residents, both men and women, with employment opportunities, leading to increased household income.</p>	<p>Atus is about three hours walking from Saburai, four hours walking to Gildapil, and two hours walk to the Indonesian border. It takes five hours to walk to Maliana. Residents of Atus still rely on horses for transport, or walking. Residents could use public transport from Saburai (a three-hour walk) but it is generally unaffordable (USD10 one way by ojek). As a result, residents of Atus can't easily access the market at Maliana. Atus residents rely on Indonesian traders who come to Atus to buy peanuts and coffee. However, Atus residents expressed a preference to sell their produce in Maliana, where they are paid in USD and where they also go to purchase goods. Household income remains very low. Traditional thatched and stone housing remains predominant in Atus, as the cost of delivery is prohibitive (USD150 per trip for a truck). The poor state of roads constrains access to health services, as evidenced by a recent maternal death.</p>

Figure 1: Indicative progress against outcomes based on a rapid assessment during the MTR





## 3.2 Addressing identified constraints to the enabling environment

This section addresses sub-questions **1b** and **1d: To what extent is the program addressing constraints identified at the end of Phase I, and key risks identified in the DUA?; and: What works well and what needs to change to improve the program's effectiveness?**

**Finding: Insufficient progress has been made in addressing the constraints to the enabling environment during R4D-SP, but the groundwork (policies and plans) has been established to engage more strategically with the 8<sup>th</sup> Government of Timor-Leste.**

**Finding: 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.**

The major constraints identified after Phase I are well documented in the DUA, CDIP and R4D-SP Progress Reports (#1 and #2). However, little progress appears to have been made in overcoming them, although significant groundwork has been accomplished. Most issues will need to be addressed at the highest levels of government through inter-ministerial committees with decision-making authority. The current constraints to the enabling environment are summarised in **Table 2**.

Those constraints identified as requiring high-level advocacy through an inter-ministerial committee to gain political willingness to address constraints in the enabling environment are:

- Streamlining functions, particularly those of ADN, to remove duplication in quality assurance and auditing processes resulting in long delays in processing payments
- Ensuring sufficient and predictable budget allocations for rural roads to be able to prioritise and plan effectively
- Working with the multiple agencies and actors involved in rural roads to plan and implement effectively under a decentralisation agenda, including appropriate delegations, authority and resources to manage and supervise rural road rehabilitation and maintenance at the local level
- Reducing the level of emergency contracting (e.g. below 10% as regulated) to allow for proper planning and prioritisation of capital works
- Ensuring environmental regulations required to get environmental clearances are proportionate to the level of environmental impact from road rehabilitation processes.

To address the high-level issues, the R4D-SP proposed to establish the multi-stakeholder Inter-Ministerial Road Forum (IMRF) and the Roads Working Group (RWG). Key informant interviews suggest that R4D-SP has enhanced the collaboration between government stakeholders and development partners, albeit using informal processes. A formal process through the IMRF and its associated RWG is yet to be implemented. ToR have been prepared and reviewed with inputs from DRBFC, R4D-SP and DFAT staff. Most key informants in government agreed that establishing these committees and working groups would expedite the process and ensure greater accountability. Some, however, cautioned that such committees can also act as an impediment and that they must have a clear mandate.

Based on interviews with key informants across ministries, it is evident that government managers and leaders could benefit from capacity development in strategic leadership, good governance and working politically, in order to influence high-level decision-making bodies and address constraints to the enabling environment.

**Table 2: Current analysis of key constraints to the enabling environment**

CONSTRAINT / RISK	ACTIONS TAKEN	RESULTS / PROGRESS IN OVERCOMING CONSTRAINT/RISK	REMAINING GAPS	LIKELIHOOD OF GAPS BEING ADDRESSED AND TIMEFRAME
Integrated Planning, budgeting and expenditure management	Strategies and plans detailed by R4D and supported by the Council of Ministers but not fully integrated into ongoing budgeting systems. Expenditure processes documented by R4D-SP but delayed payment issues have not been addressed. ADB and Chamber of Commerce have raised these issues with the previous government	RRMPIS is guiding planning for R4D but has not been fully adopted and funded from a whole-of-government perspective. Payment systems and the ADN auditing process needs a whole-of-government approach supported by a combined effort through the donor community	Integrated planning, budgeting and expenditure management systems for roads that improve certainty for contractors and government staff are not fully implemented. Overuse of emergency contracts continues to hinder planning and expenditure management	Addressing these gaps requires a long-term and whole-of-government approach. Given ADB's previous efforts to address these issues, it is unlikely to happen in the short term without combined donor efforts to seek greater political support at the highest levels
Sufficient and predictable funding	RRMPIS identified a need for USD20 million annually. A transition budget was put forward after the 8 <sup>th</sup> GoTL election for sufficient funding for capital and operational expenditure. Predictability of funding is reduced by political decisions, and predictability of expenditure is reduced by lack of resolution of the ADN issue	DRBFC senior management advocated for sufficient funding, as evidenced in preparation of transitional budget request. Lack of progress in setting up IMRF remains a constraint in predictability of expenditure, given there is a pipeline of work. Insufficient strategic engagement to advocate at political level for rural roads	Waiting to see if 8 <sup>th</sup> GoTL will commit sufficient funds as per RRMPIS and 2019 state budget. IMRF not established. Insufficient strategic-level engagement, including stakeholder mapping and engagement plan	8 <sup>th</sup> GoTL is likely to maintain sufficient funding commitments going forward. IMRF has a good chance to be established with new GoTL and R4D commitment. Improved strategic level engagement by R4D-SP dependent on team structure being complemented with Thinking and Working Politically (TWP) skills/experience
Working with multiple agencies and actors	Informal engagement with ADB, EU, JICA on technical matter; IMRF and RWG ToRs prepared but no further progress	Technical documents produced by R4D-SP are widely shared and found useful	Formal coordination structures needed to support informal processes and improve accountability and transparency of decision-making	Likely to be promptly resolved using a more strategic approach to coordination and management. The 8 <sup>th</sup> GoTL is committed to rural road development and should be supportive
Paying contractors in reasonable timeframes	Report identifies existing payment process flow, causes of delay and recommendations for streamlining the payment process. Submitted to former Minister of MPW and Vice Minister of MDIR, but limited proactive follow-up and strategic level engagement	No progress in contractor payment issue	ADN delays remain; limited capacity/capability in existing R4D-SP team structure to exert influence at strategic level; ILO project team implementing R4D-SP sees itself as a technical organisation	Dependent on ability of R4D-SP to complement existing team structure with TWP skills/experience

In the briefing to the Vice Minister in October 2017 virtually all these issues were again reiterated as key challenges facing the program. All of these were again raised to some extent during key informant interviews, indicating a lack of progress in some areas, notably:

- Delayed payments to contractors<sup>19</sup>, and subsequently delayed payments to labourers and community maintenance teams, largely as a result of auditing processes by the ADN combined with capacity limitations
- Insufficient dedicated DRBFC staff<sup>20</sup> (inadequate human resources overall) assigned to R4D activities as per the signed Subsidiary Arrangement and to meet increasing demands<sup>21</sup>
- Insufficient operational budget for DRBFC staff (and other agencies supporting cross-cutting issues) to undertake R4D-SP activities, including involvement in monitoring and training
- Inability to secure environmental licenses to proceed with works.

The limited progress is partly attributable to the difficult political environment, as verified by other donor programs (e.g. ADB) dealing with similar issues. It is anticipated that the new majority government will enable many of these issues to be progressed through inter-ministerial coordination.

Discussions are ongoing with ADN regarding the issues relating to payment processing. ADB raised this as a significant issue recently and the Chamber of Commerce has highlighted its impact on business. Contractors reported delays of up to 12 months<sup>22</sup> and some stopped work until progress payments were made. This has widespread ramifications in terms of efficient use of government resources (standing idle while waiting for work to recommence); cashflow issues for contractors; deterioration of work partially completed; ongoing availability of labourers who take on other jobs; cost in relocating equipment to recommence work; and payment to communities for maintenance<sup>23</sup>. This is one of the main constraints identified in the Phase I Final Report and subsequent progress reporting. R4D-SP prepared a comprehensive report on existing payment process flow, causes of delay and made recommendations for streamlining the payment process. This report was submitted to the former Minister of MPWTC, Sr Gastao de Sousa. A new approach, possibly involving other major donors and the business community, is now needed in order to progress this issue urgently.

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19 This was the most common issue raised by key informants across all sectors – government, donors, community and business – and has developed into a significant issue which could have major ramifications if unresolved.

20 Some key informants stated that even allocating all the staff under the Subsidiary Arrangement would not meet the needs of the program. Some quoted in the order of 100 supervising engineers required to oversee rehabilitation and maintenance under the RRMPIS.

21 For instance, DRBFC estimated it needs another nine staff to manage planning and design work. They currently have four.

22 The average delay was reported as between 6–7 months, but some contractors have reported that they were successfully paid after 1-2 months.

23 Many community members approached the Review team during fieldwork stating they had not been paid since commencing routine maintenance.



Constraints that were identified<sup>24</sup> at an organisational level (through the DRBFC) that could be readily addressed by R4D-SP more directly through capacity development initiatives, and take advantage of improvements in the enabling environment, include:

- Managing a procurement-ready pipeline of projects to minimise the need for emergency contracting
- Ensuring DRBFC can manage outsourced consultant services to agreed technical specifications
- Supporting municipal staff to collaborate with other agencies and programs to plan effectively for rural road development to optimise development impact
- Ensuring there are sufficient trained staff in DRBFC and at the municipal level, with good communication skills, to effectively administer the project pipeline to required technical standards and to avoid implementation delays
- Ensuring DRBFC has a sufficient operational budget for effective program delivery, including training and institutional development.

The procurement-ready pipeline has been developed but the capacity to manage and implement it independently is still unlikely to exist for at least four years at the current rate of progress. Key informants from the ILO and GoTL estimated that municipalities would need at least another 3–4 years of assistance before they could operate independently. Key informants noted that management and recruitment within the MPW is also problematic. Some stated that management within government can be a problem since they can move staff around without understanding the implications<sup>25</sup>. Having ILO support for recruitment was seen as beneficial.

**Recommendation 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.

**Recommendation 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.

**Recommendation 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.

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24 R4D-SP Training and Capacity Development Framework and Plan.

25 FGD with ILO technical staff

## 4. Relevance

This section addresses **KEQ 2: To what extent is the program demonstrating alignment with GoTL's and GoA's development goals and national interests?**

Relevance within the context of the R4D-SP is defined as the extent to which the program demonstrates that it meets the priorities and policies of the GoTL, GoA and the people of Timor-Leste. This includes analysing the level of GoTL commitment, and whether the objectives of the program are valid within the context of changing government priorities and if the activities and outputs are consistent with the overall goal and intended impact.

### 4.1 Maintaining relevance to the development priorities of GoTL and GoA

This section addresses sub-question **2a: To what extent does the program remain relevant to the development priorities of GoTL and GoA?**

**Finding: R4D-SP remains highly relevant to the development priorities of GoTL, GoA and the rural communities of Timor-Leste.**

**Finding: 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.**

Rural roads are a priority in the Timor-Leste Strategic Development Plan 2011–2030, and the ambitious target of rehabilitating all rural roads to a minimum standard by 2015 remains unmet. Nearly 70% of Timor-Leste's population live in rural areas, and over 68% of rural roads are in poor condition. 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. Roads remain development priorities for rural communities, with roads, bridges and flood control being the biggest investments by value (USD12,134,031) and second biggest by number of projects (440) under the National Suco Development Program (PNDS).

Rural roads remain a priority election issue, with GoTL interviewees noting that politicians had spoken about rural development and roads during the recent election campaign. The Australian Embassy Head of Mission's meeting with the new Minister for Public Works confirmed that rural roads were a priority for the 8<sup>th</sup> Constitutional Government and this was reaffirmed in the 8<sup>th</sup> Government Program (July 20<sup>th</sup>) during the meeting of the Council of Ministers. The R4D program is acknowledged by both GoTL and GoA as a priority vehicle for the delivery of assistance to the rural roads sector. An RRMPIS has been formally endorsed by the GoTL and is a core strategic document for forward planning, prioritisation, investment and capacity-building in the public and private sector. However, during interviews a range of stakeholders noted that the national government tended to prioritise national roads over rural roads.

R4D-SP strongly aligns with the three strategic objectives of Australia's aid program in Timor-Leste:

- 1.** Improving livelihoods – through facilitating market linkages
- 2.** Enhancing human development – through facilitating access to health, education and other social services
- 3.** Strengthening governance and institutions, through capacity development of national DRBFC and municipal-level public works.

Timor-Leste's mountainous nature and chaotic geology<sup>26</sup> contributes to high landslide susceptibility and the need for good road design to minimise the impact of landslides and risk of road closure and avoid high operational and maintenance costs<sup>27</sup>. Stakeholder interviews and field observations demonstrate the high quality of R4D-SP rural roads compared to roads rehabilitated through other programs.

R4D-SP, by supporting well planned, designed, built and maintained rural road infrastructure, aligns with DFAT's 2015 Strategy for Australia's Aid Investments in Economic Infrastructure, which prioritises increasing investment in infrastructure as part of the strategic target of the aid program. R4D-SP also aligns well with the 2017 Foreign Policy White Paper's four tests for relevance of investments to Australia:

- 1.** In the national interest – road infrastructure supports the development of an economically prosperous Timor-Leste
- 2.** Promote inclusive growth and reduce poverty – a well designed, built and maintained road network facilitates market linkage, and labour-based road construction and maintenance provides income opportunities for men and women
- 3.** Add value and leverage partner funding – GoTL provides capital funding for rehabilitation and maintenance, as well as staff and operational funding
- 4.** Deliver results and value for money – Phase I impact studies demonstrate the benefits of improved rural roads when delivered efficiently, effectively and sustainably.

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26 <http://seedsoflifetimor.org/wp-content/uploads/2012/12/Geology-and-Soils-in-Timor-LesteA4.pdf>

27 <http://thinkhazard.org/en/report/242-timor-leste/LS>



## 4.2 Demonstrating commitment to rural road management through the Subsidiary Arrangement

This section addresses sub-question **2b: To what extent are GoA and GoTL making progress towards staffing and financial commitments outlined in the Subsidiary Arrangement, and what are the barriers towards meeting the Subsidiary Arrangement?**

**Finding: The financial commitments outlined in the Subsidiary Arrangement will not be met in terms of funding availability for capital works for rural roads due to the political situation over the past 18 months and no capital funds being approved in the state budget for 2018. There are positive indications the GoTL will make a USD20 million capital allocation to rural roads in 2019. The nominal allocation of staff is now appropriate. Commitment towards formal cross-government coordination has been low although informal mechanisms have operated well.**

**Finding: 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.**

**Finding: There is 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 RRMPIS has provided a mechanism to engage senior officials and politicians in the program.**

The Subsidiary Arrangement commits GoTL to providing 10 staff from DRBFC to work at the national level, and 48 personnel at the municipal level (four per municipality, comprising two supervisors, one planner, and one community development officer (CDO)). It is likely that, in principle, these staffing commitments will be met, noting that a letter by the Director General of Public Works dated 8 May 2018 identifies a total of 65 DRBFC staff at national and municipal levels to be assigned to R4D. The MPW also stated that 15 positions currently under ILO but working in R4D positions will be transferred to permanent positions in 2019. The letter identifies counterparts for all R4D-SP staff. However, ILO has noted that there is currently no counterpart for the M&E role (even though there is a DRBFC person identified in the letter). The letter states that staff “are hereby respectively assigned to work with the designated ILO-R4DSP staff as counterparts, in the day-to-day implementation of the R4D program”. In practice, feedback suggests that counterparts are not always available due to competing demands. Some staff are fully dedicated on R4D, but others are also engaged with other road projects and dealing with emergency contracts initiated by the Ministry. Key informants suggest that “emergency” contracts absorb significant departmental resources and are given priority.

ADB’s national road program has also had issues with the availability of assigned counterpart staff. Their issue is exacerbated by the Project Management Unit not being co-located with the normal workplace of DRBFC counterparts. This is not an issue for R4D-SP, whose staff members are embedded in the department.

A critical factor that has had an impact on assigning staff to R4D-SP counterparts is the recruitment freeze that has been in place since June 2015: “Recruitment of new permanent staff has been frozen while the legal framework is being revised and the effectiveness of the current public sector work force of approximately 32,000 is being assessed.”<sup>28</sup> A recruitment freeze was one of the recommendations from a 2012 review of the Civil Service Commission (CSC), funded by Australian Aid. The Subsidiary Arrangement between GoA and GoTL was signed on 27 January 2017, 19 months after the recruitment freeze. DRBFC has been able to employ contract staff, but it appears that some of these are being funded from R4D-SP<sup>29</sup> until these issues can be resolved. The CSC is currently completing a diagnostic assessment of staffing, paving the way for future recruitment. The CSC indicated that the only exemptions to the recruitment freeze were for nurses, doctors and teachers. Other recruitment would be contract based and dependent on project funding. One Director of Public Works at municipal level indicated that engineers could be recruited as permanent staff, and that there were plans to recruit up to 100.

The financial commitments outlined in the Subsidiary Arrangement will not be met in terms of funding availability for capital works for rural roads due to the political situation over the past 18 months and no capital funds being approved in the state budget for 2018. They are likely to be substantially met in terms of operations. Under the Subsidiary Arrangement the GoTL financial commitment to R4D-SP is estimated to be USD13,059,000 for the first two years of implementation (2017 & 2018). The GoTL contribution covers capital funding and operational costs of rural road rehabilitation and maintenance work. The MPW requested a transition budget for R4D in 2018 (six months) of USD7.3 million for road rehabilitation, USD2.7million for maintenance and USD400,000 for operations which is a positive indication of its commitment to rural roads. However, the transition budget did not proceed and the new GoTL has approved a state budget only to cover government operational costs incurred in 2018.

In 2016 the GoTL committed USD10 million to the rural roads program from the Infrastructure Fund, of which only USD2.519 million was spent in 2016. This resulted in the program carrying forward USD4.87 million for 2017 and USD6.35 million for 2018 from the Infrastructure Fund<sup>30</sup>. This was based on projected contract balances (committed funds) at the end of 2016 of USD11.22 million.

Taking into account funds carried forward, the funding allocated for rural roads did not meet the commitments made under the Subsidiary Arrangement. However, there are positive indications that the GoTL will exceed its commitments in the Subsidiary Arrangement through the 2019 state budget with early informal advice that MPW plans to request a USD20 million allocation for rural roads, which aligns with the annual RRMPIS requirement.

**Table 3** summarises the current status of GoTL commitment towards the program. This indicates the need for a stronger commitment towards formal coordination of the program across government, led by the GoTL. This includes the communication of program requirements, commitments, policies and standards for rural road development as outlined in the Subsidiary Arrangement.

28 Civil Service Commission key informant interview

29 Some staff interviewed reported that they were in R4D positions but contracted to and being paid by R4D-SP. In some instances it was not clear to the Review Team which staff were being paid by government and which were being paid by R4D-SP.

30 Roads for Development: 2018 Situation Update – 5 November, progress reporting to DFAT from the Partnership for Human Development

**Table 3: Basic commitment analysis based on key findings**

CATEGORY	HIGH	GOOD	ADEQUATE	LOW	EXPLANATION/EVIDENCE
Capital funding amount				✓	Insufficient funding allocated in 2018 due to the political situation over the last 18 months and no capital funds being approved in the state budget for 2018. There are positive indications that renewed commitment will be made to capital funding in 2019, but the delayed payments need to be addressed to expend money within allocated annual periods
Timeliness of disbursement				✓	ADN processes delay payments significantly during Phase II. This reduces the commitment of contractors and community maintenance teams
Human resources (staffing)			✓		Met in principle, particularly at national level, though some staff are not always available. Staff gaps remain at municipal level. A commitment has been made to increase staffing at the municipal level
Operational funding			✓		Largely met at national level but operational funding gaps at municipal level constrain the ability of staff to exercise their role.
Formal cross-government coordination				✓	Inadequate formal cross-government coordination. Political context and changing ministerial responsibility exacerbates coordination constraints
Informal cross-government coordination		✓			Good informal coordination across government at the technical level. Strong technical relationships and adoption of technical policies and standards. The embedded nature of the program has supported close collaboration
Decentralisation coordination			✓		Substantial effort is being made to build capacity at local level but this is constrained by limited staffing
Participation in IMRF				✓	IMRF not established, though ToR drafted. Informal coordination occurring but not effective in addressing strategic issues
Participation in RWG				✓	RWG not established, though ToR drafted

## Definitions

**High:** Demonstrated commitment above requirements in all areas as specified in the Subsidiary Arrangement or as agreed through ratified plans, with potential for building substantial organisational capital (and capacity) within the next 2–3 years to maintain the rural road network to required standards.

**Good:** Demonstrated commitments above requirements in some areas with agreements to implement ratified plans and functioning interagency committees in the next reporting period. Clear indications that additional resources will be committed to rural road management in the next 1–2 years. Potential to take over full responsibility for rural road management in 4–5 years.

**Adequate:** Demonstrated commitment to meeting the requirements of the Subsidiary Arrangement with indications for ongoing commitment to managing the rural road network and building internal capacity. Interagency committees established. Potential to take over full responsibility for rural road management in 5–6 years.

**Low:** Unable to demonstrate commitment to meeting the requirements of the Subsidiary Arrangement and an uncoordinated approach to building capacity and organisational capital in order to sustain the gains made through R4D. Limited potential to take over full responsibility for managing the rural road network to required standards. Limited participation in intra-agency committees.

## 4.3 Implications of discontinuing the R4D-SP

This section addresses sub-question **2c: What is the likely impact on Timor-Leste's development and other Australian investments should R4D-SP cease?**

**Finding: Discontinuing R4D-SP will 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 will step in to support rural road development to the same extent as GoA at this stage.<sup>31</sup>**

**Finding: 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 deterioration) will affect community access to health, education and markets.**

Discontinuing R4D-SP at this stage will significantly reduce MPW and MSA staff capacity at the municipal level. GoA is the main funder of rural road improvement, with the EU and ADB funding minor components<sup>32</sup>. All key informants (ILO, DFAT and GoTL) indicated that most areas will revert back to previous practices should support cease at this stage. Even areas such as procurement, GIS and IT, which currently operate effectively with limited support, are likely to lack the organisational structures and systems to ensure they can be sustained<sup>33</sup>. The MPW now has an IT network and servers, with support from R4D-SP, but no budget to support its maintenance and development<sup>34</sup>.

It is estimated that the R4D-SP has invested in the professional development of 345 engineers and technical staff, most of whom will not progress without further assistance.

As discussed, many of the foundational elements for institutionalising a rural roads system are in place but yet to be adopted, such as the Rural Road Policy; technical standards, drawings and designs; training manuals on procurement, quantity estimation and contract management; and systems for survey, design, GIS, and M&E. Without further support these are unlikely to be institutionalised.

Currently R4D-SP funds all training programs to support rural roads<sup>35</sup>. "Train the trainer" programs began only recently. DRBFC has established a training department<sup>36</sup> but there is no training centre and they do not have the capacity to progress this initiative without support.

Many staff heavily rely on budget support from R4D-SP to be able to conduct fieldwork and on-the-job training. Without access to these funds, R4D or Ministry support staff are unlikely to be involved in field monitoring and supervision. These are systemic issues that need to be addressed through institutional and budget reforms.

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31 DFAT key informant interview

32 The EU, through ERA-AF, is supporting some rural roads in Baucau (the target is 90km of road rehabilitation, using Labour Based Methods), and has built 140km of rural roads in six districts through ERA 1. ADB, with EU funding, is going to rehabilitate 44km of municipal roads in coffee production areas.

33 Focus group discussions revealed that the GoTL needs to establish an IT support unit to ensure the ongoing sustainability of the GIS and IT systems, including the implementation and support of the IRMIS.

34 Focus group discussion with ILO support team.

35 ILO senior management interview.

36 Through the EU-funded ERA program, implemented by ILO.



Based on an analysis of the impact of R4D Phase I and proposed targets, it is estimated that termination of R4D-SP will result in approximately USD2.3 million in lost wages to communities, significantly affecting women and people living with disabilities who have been supported through the program.

It is likely rural road conditions will deteriorate if the program ceases, thereby affecting other GoA investments (e.g. access to health and education facilities). Rural road maintenance has not been institutionalised at the national and municipal levels in Timor-Leste. Community groups conduct routine maintenance, but delayed payments may see a decline in community commitment and contractors are less attracted to these due to the smaller profit margins. Periodic and emergency maintenance practices have not been fully implemented. Rural roads in good condition will be in poor condition after five years due to gradual deterioration (mainly due to rainfall, landslip and erosion) if not maintained.

A significant proportion of the AUD44 million already invested by GoA in both phases of R4D will not provide a return on investment if the program ceases. There is a higher likelihood that a significant return on investment will be realised if the program progresses for 3–4 years until GoTL can sustain the capacity to rehabilitate and maintain rural roads.

**Recommendation 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. Value for money

This section addresses **KEQs 3 and 4, which are related to value for money: Is the current model of delivery efficient in progressing the program outcomes, particularly the change in approach taken in Phase II?; and: To what degree did progress toward achieving outcomes justify the costs?**

Value for money within the context of R4D-SP is considered in terms of (1) whether the current delivery and management model is efficient in achieving intended outcomes, particularly by overcoming known constraints to performance, and (2) whether moving from capacity substitution to capacity-building has affected the efficiency of program delivery.

### 5.1 Efficiency of the delivery model

This section addresses sub-questions **3a and 3b: How efficient are ILO's key management systems for implementing Phase II (R4D-SP), specifically in overcoming the constraints and risks? What changes, if any, should be made to improve the efficiency of delivering program outcomes, including utilising other delivery models?**

**Finding: 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 by ADN processes, and the impact of the ongoing decentralization process on operations of municipal-level public works.**

**Finding: Strong relationships between key road actors and R4D-SP staff, and the embedded nature of the team, have contributed to the efficient delivery of technical support.**

**Finding: Several documents are driving R4D-SP implementation, including the DUA, CDIP, M&E Framework and revised ToC. The lack of coherence between some functional areas needs to be addressed to avoid negatively impacting management systems, implementation and reporting.**

DFAT and ILO appear to have different expectations for R4D-SP and the ILO's resourcing to achieve its goals<sup>37</sup>. The ILO team is technically oriented, with the focus on capacity-building of DRBFC staff at the national and municipal levels, and supporting the development of policies, plans and technical guides to support rural road rehabilitation and maintenance. ILO's team is strong in terms of on-ground outcomes (GIS unit, Social and Environmental Safeguards unit, DRBFC-led road designs, etc.). Whilst the ILO is making satisfactory progress in terms of individual capacity-building at the national and municipal levels, there has been minimal progress in driving change to provide a supportive enabling environment<sup>38</sup>. The ILO project team sees itself as having limited ability to influence government policy<sup>39</sup>.

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37 DFAT and ILO interviews.

38 A supportive enabling environment consists of having supportive leadership, governance, policies, systems and resources in place to ensure the program operates as efficiently and effectively as possible with a high degree of predictability.

39 Acknowledged by ILO staff during interviews.

The ILO team does not have sufficient on-ground capacity to be strategically focused and undertake partnership brokering and strategic-level influencing, which is needed to meet DFAT's intentions for R4D-SP. The R4D-SP is led by a chief technical advisor, rather than a team leader under a more traditional managing contractor agreement. The ILO's team is staffed with technical specialists and supported by a regional technical specialist based in Bangkok, who visits at least four times a year, and the Indonesia and Timor-Leste country director, based in Jakarta, who visits every two months. Such intermittent visits are not sufficient to proactively engage with GoTL and other development partners, both formally and informally, to drive change in the enabling environment.

The Investment Concept Note (ICN) (August 2016) stated that the ILO had inadequate corporate support services, noting that this had led to delays in recruitment. The ILO's human resource policies also restrict flexibility in team restructuring. DFAT's contract with the ILO, through a Grant Arrangement, limits DFAT's ability to influence the team's composition, unlike a more traditional managing contractor agreement.

The absence of an effective high-level coordination mechanism between relevant GoTL agencies and implementing partners hinders program delivery, particularly in terms of addressing constraints to the enabling environment, notably the systems that delay payment to contractors. Specifically, ILO have yet to set up the IMRF and RWG, and have not actively pursued options to overcome the risks posed by delayed payment to contractors. As discussed, these issues have been largely due to the political situation. Progress in setting up the proposed multi-stakeholder IMRF and RWG is critical as these are prime mechanisms to advocate for the required changes.

The ILO sees its role in influencing government policy as occurring in joint efforts with the Australian Embassy. However, the ILO has not been sufficiently proactive in providing DFAT with briefs and information to enable the Australian Embassy to engage and advocate for changes to the enabling environment, in terms of changes to payment procedures and supporting decentralisation.

Decentralisation affects other Australian investments (e.g. PHD), and Governance for Development (GfD) aims amongst other things, to support GoTL with its decentralisation agenda. There are opportunities for ILO, and R4D-SP, to proactively engage with DFAT and with other Australian investments to influence the decentralisation process<sup>40</sup> in order to ensure MPW has sufficient resources to plan and implement rural road rehabilitation and maintenance.

The ILO is demonstrating good interaction with other road sector stakeholders (e.g. ADB, the United Nations Development Program, PNDS, EU and JICA), and is engaging across MPW in terms of capacity-building, but there is minimal strategic-level influencing being undertaken to resolve the key constraint of delayed payments as a result of ADN processes. ILO, following a request from the Prime Minister of the 7<sup>th</sup> Constitutional Government, put forward a recommendations paper on addressing the procurement issues and delayed payments caused by the ADN process. Feedback from DFAT was that this paper took too long to complete, and nothing eventuated due to the political situation. It is understood that the paper has been resubmitted to the Minister for Public Works in the new government. However, apart from the formal submission, it appears that ILO has made few attempts to strategically influence key decision-makers or to partner with others to

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40 The Municipal President in Bobonaro stated that the 8<sup>th</sup> Constitutional Government wants the decentralisation law reviewed and revised. He was hopeful that this would occur.

advocate for change in a unified manner. The payment delays caused by ADN also affect other donors, ADB in particular, which has tried to lobby for change separately to ILO.

Several documents are driving R4D-SP implementation, and there is some incoherence between these that may negatively impact management systems and therefore the implementation. The DUA (January 2017) remains the primary 'design' document. A revised R4D-SP ToC was developed in December 2017, which is now seen by ILO staff as reflecting the program's intent. The revised ToC has as one of three outcomes "Improved rural road access to selected rural communities", and no outcome that clearly states strengthening the enabling environment, as in the original design and DUA. Whilst this is in part reflected in the intermediate outcomes related to better coordination (e.g. Collaboration between government agencies and development partners is strengthened), there is a lack of specificity related to the key constraint of delayed payments as a result of duplication in auditing roadworks. The revised R4D-SP ToC reflects a 'process-flow' reflecting the engineering/technical-focus of the ILO staff who had input into the ToC. R4D-SP's Monitoring, Evaluation and Learning Framework (MELF) is also heavily indicator-driven and remains focused on demonstrating the impacts of rehabilitated rural roads. The recently developed Capacity Development Framework has provided the ILO with more focus to implement Phase II. The framework focuses on individual capacity-building and could be improved by including organisational capacity-building perspectives.

## 5.2 Delivering outcomes cost effectively

This section addresses sub-questions **4a** and **4b: How has the move from capacity substitution to capacity-building affected the efficiency of progressing program outcomes? How is the investment leveraging off other Australian and other donor investment to overcome constraints and progress outcomes and what other opportunities exist?**

**Finding: 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.**

**Finding: The implementation approach of embedding ILO advisers within the MPW has been cost-effective and resulted in added benefits, including strong relationships. The unintended consequence, however, is that ILO staff end up doing some of the work.**

**Finding: Delayed payment systems at GoTL level have hampered the overall cost-effectiveness of the program and have had negative impacts at many levels.**

The R4D Phase I investment delivered on rural road rehabilitation through a mostly capacity substitution approach, with some limited capacity-building. It clearly demonstrated the positive impact rural road improvements can have on communities. ILO managed DFAT-funded contracts and provided quality assurance, expediting prompt payments to local contractors and communities. However, this is not sustainable or cost-effective in terms of the GoTL being able to maintain the rural road network. The approach could be compared to the government outsourcing rural road management and oversight to an international company with international consultants while using local road contractors for rehabilitation and maintenance. It is expensive unless you can substantially discount



value created through technology transfer, policy influence, building of local capacity and expertise, and achieving local private sector investment and economic development. These are key objectives of Phase II.

Phase II investment, though it builds on capacity development initiatives started during Phase I, is still starting from relatively low capacity as evidenced from the CDIP (May 2018) assessment of skills. Progress in capacity-building is constrained by the operational context, including language barriers, competing demands exacerbated by insufficient staff numbers in DRBFC, low salaries, and insufficient operational funds (especially at municipal level) that prevent counterpart staff from undertaking their work or training and developing others. However, collaborative efforts are beginning to demonstrate significant gains and independence in some areas:

- Procurement systems are now being adopted and managed by counterpart staff and encouraged by other donors (ADB and JICA)
- Material testing laboratories which have been supported by R4D-SP, JICA and ADB are operating successfully, generating approximately USD100,000 per annum in revenue and conducting internal training, including training university students
- IT and GIS facilities and services emanating from R4D and R4D-SP are providing services across government and using data captured through other programs to create value-added products to support decision-makers.

The capacity development approach of embedding ILO with local staff also demonstrates a cost-effective approach. This provides on-job training and helps to motivate local staff. A similar approach has been requested at the municipal level, but this would require significantly more technical advisers. Rotating municipal staff through a work program at the national level to build skills would be a more cost-effective approach. Similarly, peer-to-peer teaching and learning could be conducted by rotating trained municipal staff through other municipalities requiring additional capacity development.

The R4D and R4D-SP programs have produced a range of outputs that have the potential to deliver significant program outcomes if fully adopted by GoTL and other stakeholders. Originally many of the technical manuals and guidelines were specifically developed for R4D, but ILO has now developed more generic versions for wider application<sup>41</sup>. Some of these are gradually being adopted by other road stakeholders, demonstrating added value and utility:

- RRMPIS is guiding rural road rehabilitation across government, ADB rural road investment and ERA-AF
- Technical guidelines and social safeguard policies are being used by PNDS-SP and ERA-AF, and Don Bosco Training Centre (DBTC has incorporated them into training delivery)
- ADB is supporting GoTL to draft a transport sector master plan (air, land, maritime) that builds on RRMPIS
- PNDS-SP has incorporated R4D-SP material on gender in the PNDS booklet
- PNDS-SP engineers have benefited from R4D-SP GIS training
- An R4D-SP OH&S guide in Tetum has been distributed widely across the Ministry for Equality and Inclusion, and is used by SEFOPE.

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41 This has been a recent focus for ILO according to the chief technical adviser.

R4D-SP has also leveraged from other programs. For example, it uses local training providers (Don Bosco and Instituto de Apoio ao Desenvolvimento Empresarial (IADE)) whose capacity and skills to deliver accredited training in Labour Based Technology (LBT) and business was originally funded by ERA 1 and now ERA-AF.

Currently R4D-SP has limited coordination with other DFAT investments in Timor-Leste. Better coordination and leveraging with other Australian investments as well as other donor and GoTL grants could catalyse economic and social benefits. There are opportunities to coordinate on:

- Agricultural development/market linkage with To'os ba Moris Di'ak (TOMAK)
- Access to health and other social development with PHD
- Strategic-level influence with PNDS-SP
- Public financial management and payment processes (e.g. ADN) at national and municipal level (decentralisation) with GfD
- The Ministry of Agriculture and Fisheries and Ministry of Tourism, Trade and Industry have programs assisting women with business, and the Ministry of Social Solidarity and Inclusion has programs for people living with disabilities. Improved roads will help these recipients benefit from increased access
- Heineken has started a community empowerment program to provide economic freedom to women who have suffered personal grief, are without support but have dependent children and parents. They build kiosks for the recipients either as extensions of their homes or nearby and deliver goods (on credit) for sale. These recipients will benefit from improved rural roads.

The main factors reducing cost-effectiveness are many of the barriers to implementation already discussed. Delayed payments to contractors is by far the most significant. This is affecting the time taken to complete rehabilitation works, with some contractors suspending works until invoices are paid. This increases costs significantly, leading to government inefficiency and additional costs for contractors while machinery and labourers remain idle.

**Recommendation 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.

**Recommendation 6:** ILO should review and strengthen the capacity-building framework (using a more integrated systems approach, for instance McKinsey's 7S42 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.

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



**Recommendation 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.

**Recommendation 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.





## 6. Sustainability

This section addresses **KEQ 5: To what extent is implementation leading towards sustainable benefits and outcomes?**

A sustainable rural road management program means that the GoTL can improve and maintain the rural road network to agreed performance standards to deliver equitable economic and social benefits to rural populations. This is dependent on:

- A supported and institutionalised rural road policy and strategy that mandates service standards and appropriate levels of annual funding to maintain rural roads in good condition
- Strong governance, planning and coordination systems in government to ensure services are streamlined, targeted, funded, efficient and effective
- The private and public sectors performing critical technical and engineering functions in the most efficient arrangement (this is a combination of insourcing and outsourcing coupled with management and supervision arrangements at the national and municipal levels)
- An engaged community that supports routine maintenance and identification of road issues and that can benefit equitably from rural road improvement.

### 6.1 Building capacity to sustain the delivery of services

This section addresses sub-question **5a: To what extent are DRBFC staff planning, designing, contracting and supervising the rehabilitation and maintenance of rural roads, with reduced input from ILO?**

**Finding: 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.**

**Finding: There have been gradual improvements in technical capacity, with some areas advancing more than others. The capacity development approach should include a “graduation” process in which areas graduate from assistance once they are able to sustain capacity gains and continuously improve. Resources are then reallocated to areas that require additional assistance.**

**Finding: A more systemic approach is 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.**

R4D-SP has taken steps to address sustainability, but all key informants noted that the program has a long way to go before it can be considered able to deliver sustainable results.



On the proposed capacity rubric scale, progress on sustainability is low to satisfactory (see **Table 4**), which is understandable given the program commenced in April 2017 and the difficulty in getting budgets approved and influencing policies in the current political environment. It should be noted that the ICN (August 2015) suggests that experience from previous investments indicate that “10–15 years of concerted effort is required to drive institutional change and for government to build its capacity to take on service delivery.” This is dependent on the baseline situation and the commitment of government to institutional reform.

**Table 4: Capacity scale rubric. The program is currently achieving satisfactory results.**

CAPACITY SCALE	DESCRIPTION
<b>5. Excellent</b>	Sufficient operational funds to undertake work. Systems and processes in place, maintained/updated and followed. Performance plans in place and used to manage staff. Culture of continuous improvement. Staff have sufficient time to undertake workloads and participate in training and professional development
<b>4. Good</b>	Human resources in place with some spare capacity for development. Policies, procedures, equipment and systems present and operational, being maintained and reviewed. Ability to sustain services at adequate levels with ongoing improvement. Responsive to emerging client needs
<b>3. Satisfactory</b>	Human resources in place, with basic policies, procedures, equipment and systems present and operational. Ability to provide services to basic levels. Systems are sustainable with the operational budget provided
<b>2. Low</b>	Human resources in place but limited systems, equipment and processes to perform functions effectively. Capacity to be trained and developed but limited by resources
<b>1. Very low</b>	Insufficient operational funds. No systems, processes in place. No performance plans in place. Staff have insufficient time for their workload / undertake multiple roles

Capacity development of government staff and local contractors has been a key focus area of R4D Phases I and II (R4D-SP). As noted, creating a sustainable, efficient and effective enabling environment is a challenging political issue for the program. Sustained capacity can only be achieved by firstly building adequate capacity to perform basic services, and secondly implementing systems and processes to ensure ongoing performance development and continuous improvement. This is often demonstrated by counterpart staff having the capability to train others and being motivated to continue to develop and improve their skills and those of the organisation. Performance standards should be established and monitored to indicate when functional areas (such as procurement) can graduate from development assistance. Resources can then be reassigned to areas requiring additional assistance.

There is gradual, albeit slow, progress in the capacity-building of individual counterparts, as evidenced by the CDIP skills assessment and as noted by independent observers (JICA and ADB advisers) who have interacted with counterpart staff over the last two years. This is understandable given R4D-SP has only been implemented for 13 months. Some areas (e.g. procurement, GIS, social safeguards, engineering supervision) are likely to be at ‘independent’ levels before others, but none reported confidence in operating without ILO’s technical assistance at this stage. The sustainability of the capacity-building outcomes is supported by strong staff retention, though low salaries and lack of operational funds (particularly at municipal level) can hinder motivation.

Capacity-building at the municipal level needs significantly longer and greater investment in line with the decentralisation agenda. Road designs are still being undertaken by R4D-SP staff, with municipal staff left to implement them and supervise road rehabilitation and maintenance. Community development programs appear to be well supported and supervised by municipal staff.

Sustainability of private sector involvement in road rehabilitation and maintenance requires overcoming the issue of delayed payments. Almost 100 local civil works contractors have been trained and contracted to carry out rural roadworks. All contractors valued the capacity-building provided by the program, but a lack of payments and difficulties with cash flow will detract from further investment in the sector. R4D (Phase I) demonstrated that the quality of rural road rehabilitation works can be high using local contractors and could be sustained provided there is an adequate and predictable pipeline of contracts and payments are timely. Systems for designing and contracting work packages have been developed and are being institutionalised in DRBFC.

It was noted that periodic maintenance had not yet been implemented for the program, nor had protocols for emergency maintenance. The RRMPIS includes requirements for periodic maintenance but not emergency maintenance protocols. These will need to be developed to ensure roads are maintained in the long term (beyond five years).

The standards and technical guidelines prepared by R4D-SP to support road rehabilitation are of good quality, evidenced by being taken up by other road actors (ADB, ERA-AF, PNDS). These have prepared the foundations for DRBFC to institutionalise technical standards and improve overall performance. A more proactive approach will be required, involving developing leadership and management skills within DRBFC to implement technical and organisational change.

The current procurement of the Integrated Road Management Information System (IRMIS) should support the sustainability of rural roads and the wider road network, provided decision-makers can use it to justify resource mobilisation. Developing this system may also provide the tools to justify or counteract claims for emergency contracting (sole sourcing). Linking the IRMIS and GIS will create a powerful decision-making tool and enable scenario planning based on alternative development programs. This will enable decision-makers to assess the outcomes of various development patterns and investments (e.g. road rehabilitation strategies) prior to implementation and integrate them with other development programs to create synergies.

The current CDIP and associated performance monitoring tools emphasise the capacity of individuals rather than assessing the overall performance and capacity of service units or departments. The CDIP could be strengthened by adopting a more systemic approach to capacity development and stressing the importance of the performance of the team, service unit and organisation, building on the framework already established. Other capacity development frameworks (e.g. McKinsey 7S model – Shared vision, Strategy, Structure, Systems, Skills, Style and Staff) use a more comprehensive systems approach to target areas of weakness, recognising that unless all components are in place the system is unlikely to be sustained.

## 6.2 Commitment to sustainable results

This section addresses sub-questions **5b**, **5c** and **5d**: **How likely is it that GoTL will provide sufficient capital funds to maintain existing roads over the remainder of the implementation period? What would be the impact on progress to date if R4D-SP ceased? What needs to change, if anything, to make the program more sustainable?**

**Finding: 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 2018 is likely to meet the annual requirement of the RRMPIS (USD20 million).**

**Finding: The current capacity of GoTL to manage and maintain rural roads, using the technical standards and guidelines developed by ILO, is insufficient for it to be maintained if R4D-SP is discontinued. It would result in a significant loss of investment for the GoA and GoTL.**

**Finding: A whole-of-government approach, through an inter-ministerial committee, is required to institutionalise the policies, systems, guidelines and standards to sustainably manage rural roads to required standards.**

**Finding: The MPW needs to develop a professional and technical development program to sustain a workforce that can consistently apply the required standards based on a core contingent of staff trained by ILO.**

### Ongoing capital funding for rural road maintenance

There are positive indications that the new government will commit ongoing capital funding to rural road maintenance in 2019 commensurate with the requirements of the RRMPIS (USD 20million). However, the DRBFC appears to currently only have the capacity to expend about USD 3–5 million per annum. This will increase as DRBFC staff are better trained, have increased operational budgets and equipment, and more staff are recruited to undertake procurement<sup>43</sup>, contract management and supervision.

### Impact on capacity development if the program discontinued

The current level of capacity development support is insufficient to achieve sustainable outcomes. As discussed in Section 4.3, discontinuing R4D-SP at this stage will most likely result in many areas reverting to previous practices and a significant loss of investment. As noted, the support program has invested in the professional development of 345 engineers and technical staff. Suitable staff must develop training skills so that the GoTL has a pool of qualified trainers to sustain capacity development gains. Professional and technical training programs need to be institutionalised in collaboration with private sector training providers.

Although some functional areas supported by ILO are now able to operate independently, performing routine tasks, they still rely on ILO for troubleshooting and funding support for operations, further systems development and ongoing training.

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<sup>43</sup> It was noted that personnel in procurement found it difficult to deal with the existing pipeline of activity. Increases in capital funding for road contracts will require commensurate increases in staffing across a wide range of service areas to meet annual expenditure targets.

The private sector contractors who have undergone the 3-5 day pre-bid training programs will continue to benefit provided the procurement systems are retained. Community maintenance teams are also likely to retain their skills provided maintenance contracts continue to be implemented. However, without funds for community and contractor supervision and monitoring, the gains made in terms of social inclusion and gender equality will not be sustained.

## **Achieving sustainable outcomes**

Achieving sustainable results will require a focus on institutionalising policies, systems, standards and guidelines, and equipping the GoTL with ongoing processes to support professional and technical development.

The RRMPIS and Draft Rural Road Policy are significant achievements for the program, but they are yet to be fully adopted and adequately funded, despite the Council of Ministers endorsing the RRMPIS. A high-level inter-ministerial committee will be required to ensure they are adopted, funded and implemented across government, noting the existing barriers to efficient implementation.

Governance, planning and coordination systems in government currently appear unable to adequately address some of the fundamental issues with rural road management in areas such as payment systems, information systems, resource coordination and decentralisation. There is general goodwill and intent across GoTL for supporting rural roads, but competing demands (such as national roads, power and water supply) and emergency contracting are likely to affect ongoing funding allocations and staff resourcing. The focus on emergency contracting needs to be addressed in order to enable DRBFC staff to focus on planning and implementation of rural roads as outlined in the RRMPIS.

A whole-of-government approach is required to address these issues and ensure a requisite order to development priorities, perhaps supported by combined donor advocacy. The achievement of long-term program sustainability will be contingent on GoTL's ability to:

- Allocate adequate program budget in a timely, predictable and consistent manner in line with the Rural Roads Master Plan and Investment Strategy
- Streamline the contract approval processes and expedite contractor payments for completed works
- Allocate appropriate roles, responsibilities and resources between national and municipal agencies in order to efficiently maintain rural roads in good condition
- Provide adequate human resources and ongoing professional staff development at the national and municipal levels
- Institutionalise professional and technical training programs through initiatives such as train-the-trainer initiatives, mentoring, peer-to-peer coaching, and job rotation through municipal offices. The program needs to begin accessing the Human Capital Development Fund to support ongoing capacity development of staff
- More actively participate in and lead the rural roads agenda using the inter-ministerial coordination committee.



All of the recommendations previously identified in this report support achieving sustainable outcomes. In addition, the following recommendations are suggested.

**Recommendation 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.

**Recommendation 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.



## 7. Summary of lessons learnt

This MTR has identified the following lessons:

- 1.** Efforts by donors and the business community to influence the GoTL to address the ADN auditing process and the subsequent long delays in payments to contractors and communities have not been successful. Nonetheless, some contractors have found the process acceptable. R4D-SP should evaluate various strategies for addressing constraints to the enabling environment in conjunction with other actors affected by these issues. In the case of delayed payments, working with other donors and the Chamber of Commerce may provide sufficient leverage to gain traction for addressing constraints through the proposed IMRF.
- 2.** The recent change in government presents new opportunities to engage strategically to address the constraints to the enabling environment. Ministers are interested in innovative ideas to progress development and have a positive impact on communities. However, current ILO project team members implementing R4D-SP see themselves as primarily providing technical assistance. There is need for more strategic engagement, including providing appropriately prepared information and tools to enable DFAT to engage at a political level.
- 3.** The decentralisation process is a long-term strategy being developed and implemented by the GoTL. It seeks to devolve responsibilities for rural road management to the municipal level. R4D-SP can work with the government to directly influence the decentralisation agenda to ensure rural roads are appropriately supported at the national and municipal levels according to the principles of subsidiarity. The GoTL can learn from other countries to avoid the problems which can be created by decentralisation and the inappropriate distribution of responsibilities and resources, which can hamper local service delivery (such as road rehabilitation and maintenance).
- 4.** Donors and government are implementing many programs that seek to stimulate local economic development through small grants without necessarily having regard to the pipeline of rural road rehabilitation. Improving coordination between development activities can increase the impact of each intervention.
- 5.** Formal and informal facilitating mechanisms (e.g. steering committees and technical working groups) are required to influence government decisions and the adoption of policies, guidelines and standards. While the CDIP should be commended for the wide range of influencing activities identified, it provides limited details on the facilitating structures required to make things happen. It does not demonstrate how technical change will be sustained. Each policy, guideline or standard needs to be accompanied by an appropriate implementation and capacity-building strategy in order to ensure it is institutionalised.

## 8. Recommendations

The decision to continue or cease funding the final two years of R4D-SP rests with GoA, and will be based on information contained in this report. 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 7S<sup>44</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.

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



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.

R4D-SP has managed to progress technical capacity-building during a period of political instability in Timor-Leste and with limited ability to influence the enabling environment (on the part of both GoTL and R4D-SP). The new government provides an opportunity for building on the foundations established to date. These recommendations are designed to take advantage of this opportunity without a significant increase in investment but through a more strategic way of working, leveraging from existing policies and plans, and improving communication and formalised approaches to coordination and decision-making.





## 9. Annexes

### Annex 1: Documents reviewed

DATE	DOCUMENT	TYPE
2011 - July	Timor-Leste Strategic Development Plan 2011–2030 Version submitted to National Parliament	Plan
2011 - November	Roads for Development (R4D) Phase I Project Design Document – AusAID/ILO Design Team	Design
2015 – April	Labourer's Survey. The Benefit to Local Labourers working on R4D Roads	M&E
2015 - May	Rural Roads Master Plan & Investment Strategy (RRMPIS) Summary 2016–2020 Government of Timor-Leste	Strategy
2015 - May	Rural Roads Master Plan & Investment Strategy (RRMPIS) 2016– 2020 Government of Timor-Leste	Strategy
2015 - July	Strategy for Australia's Aid Investments in Economic Infrastructure, Department of Foreign Affairs and Trade (DFAT)	Strategy
2015 - August	R4D Phase II Investment Concept Note (Rev 1, final, 19.8)	Strategy
2015 – October	Impact Monitoring Report – First year End-Line Survey	M&E
2015 - October	Strategy for Australia's aid investments in private sector development, DFAT	Strategy
2016 - August	Roads for Development (R4D) Phase II – Design Update Annex (DUA) R4D Support Program	Design
2016 - October	Gender Review Equality Advisory Services for Infrastructure Programs, Adam Smith International	Review
2017 - January	Subsidiary Arrangement Between the Government of Australia and the Government of Timor-Leste Relating to the Roads for Development Phase II	Formal Arrangement
2017 - February	R4D-SP Phase II Grant Arrangement (signed 28 Feb 2017)	Formal Arrangement
2017 - February	R4D Phase I – 6-monthly Progress Report July to December 2016 updated	Progress Report
2017 - February	Roads for Development (R4D) Final Evaluation Aide Memoire – Final Draft	Evaluation
2017 - March	Roads for Development (R4D) Independent Evaluation Summary – ILO Evaluation Office	Evaluation
2017 - March	Roads for Development (R4D) Independent Evaluation Report – ILO Evaluation Office	Evaluation

DATE	DOCUMENT	TYPE
2017 - April	Aid Quality Checks (AQC) Road for Development (R4D) DFAT	Quality Check
2017 - May	R4D Phase II-SP Ways of Working Strategy May2017 Version 3.0	Strategy
2017 - May	R4D Phase II M&E Plan May 2017 Draft	M&E
2017 -May	Roads for Development (R4D) – M&E Systems Stocktake	M&E
2017 - May	Timor-Leste's Road Map for the Implementation of the 2030 Agenda and Sustainable Development Goals (SDGs)	Strategy
2017 - June	R4D Phase II - R4D Support Program – Progress Report#1 1 April-30 June 2017	Progress Report
2017 - September	Business Manifesto 2017-2022 – Enabling Environment for Sustainable Enterprises Policy Framework – Chamber of Commerce and Industry of Timor-Leste	Policy Framework
2017 - October	R4D-SP Capacity Development Framework & Plan-Final Report	Plan
2017 - October	Program Report for H.E. Mariano Renato Monteiro da Cruz Vice Minister for Development and Institutional Reform for Public Works	Progress Report
2017 - November	Roads for Development: 2018 Situation Update on Budget Allocations – progress reporting to DFAT from the Partnership for Human Development	Progress Report
2017 - December	R4D Theory of Change	M&E
2018 - January	Environmental and Social Safeguard Policy for the Aid Program, Department of Foreign Affairs and Trade (DFAT)	Strategy
2018 - February	R4D-SP Learning dialogue matrix	M&E
2018 - March	R4D Phase II – R4D Support Program - Progress Report#2 1 July-31 Dec 2017	Progress Report
2018 - April	Aid Quality Check (AQC) Road for Development (R4D) DFAT	Quality Check
2018 - May	Counterpart Staffing Allocations to R4D-SP – Memo from the Director General to the Department of Roads, Bridges and Flood Control	Instruction
2018 – May	Rural Road Policy of Timor-Leste – Draft Version 1. Ministry of Development and Institutional Reform	Policy
2018 - May	R4D-SP Monitoring, Evaluation and Learning Framework	M&E
2018 - May	M&E Stocktake 2018 Timor-Leste Bilateral Investments	M&E
2018 – May	R4D-SP Capacity Development Implementation Plan Final Draft	Plan
2018 – June	Capacity Development Quarterly Progress Report – Draft (I&II Quarters of 2018)	Progress Report
2018 – July	Program – Constitution of the VIII Government of Timor-Leste approved by the Council of Ministers 20 July 2018	Policy

## Annex 2: Stakeholder consultations

DATE	INTERVIEWEE
18 May 2018	Daniel Woods, DFAT Counsellor – Development (Governance and Rural Development), Australian Embassy, Dili
18 May	Paul Regnault, Second Secretary, Rural Development, Australian Embassy, Dili
29 May	Michiko Miyamoto, Country Director, ILO, Jakarta
29 May	Bas Athmer, Chief Technical Adviser, R4D – ILO, Bangkok
20 June	Victor do Silva, Community Member, Maumeta Village Office
20 June	Victor do Silva (M), Community Member, Maumeta Village Office
20 June	Maria Odete Fátima (F), Contractor, Nartutu (Maumeta)
20 June	Marcos Lopes Martins (M) Worker, Maumeta Lau (Maumeta)
20 June	Eliberta dos Santos Lopes (F) Worker, Maumeta Lau (Maumeta)
20 June	Salvador Santos Gomes – Community member, Metagou Village Office
22 June	Leonel P. Rangel (M), Contractor, Caviq Lda
22 June	Jorge da Silva (M), Contractor, Espada Metagou Lda
2 July	Regan Fields, Amanda Andonovski, Horacio Barreto, Australian Embassy TL
3 July	Peter Roberts, Australian Ambassador
3 July	Bas Athmer, Chief Technical Adviser, ILO
3 July	Augustus Asare, Chief Technical Adviser, R4D-SP
3 July	Rui Hernani Freitas Guterres – Director General Public Works
3 July	Milton Monteiro, Director, DRBFC
4 July	R4D-SP FGD1 – Roads engineering, capacity development and contract management
4 July	R4D-SP FGD 2 – Database, GIS officer, M&E officer, Social protection
4 July	R4D-SP FGD 3 – R4D-SP Regional Coordinators
4 July	Joao Gama de Sousa Manager, DRBFC Projects
4 July	Celso da Costa Oliveira, Director Human Resources
5 July	Krispin Rego Fernandes, Major Projects Secretariat – Coordinator, Sec for Infrastructure Fund
5 July	Albert Uriyo, ERA-AF
5 July	Rui da Costa, Deputy Director General, ADN
5 July	Aniceto do Rosario, Director, National Procurement Commission
6 July	DRBFC FGD 1 – DRBFC Projects, Chief of Training, Projects Department
6 July	DRBFC FGD 2 – Social safeguards, ICT officer, GIS officer
6 July	Makoto Ashino, Matsumoto Hideaki, DRBFC Road Policy adviser, CDRS Team Leader
6 July	Pd Gui da Silva; Donato Pinheiro, Don Bosco

DATE	INTERVIEWEE
6 July	Maria de Jesus Sarmiento, Executive Secretary of CSC
6 July	Hernani Viterbo Soares, IADE
6 July	Aderito Guterres, Director, SAIM, MSA
6 July	Ana Duca, Director National Procurement
8 July	Balibo Road Visit – discussion with R4D on road rehabilitation
9 July	President, MSA – Municipality of Bobonaro in Maliana
9 July	Local Supervising Engineers – 5 DRBFC Representatives
9 July	Local Community Development Officers (3 CDOs)
9 July	Visit Local Material testing lab
9 July	Local Contractors
9 July	Local Regional Coordinator / Training Engineer (Vanda)
10 July	Community group – Saburai – village with road access
10 July	Community group – Saburai sub district– Atus village currently without good access
11 July	Liquica Materials Testing Lab
11 July	Pedro Aquino, ADB Project Officer
12 July	Michiko, ILO Country Manager
12 July	Joao Lino Guterres, Secretary of State, Ministry of Equality and Inclusion
12 July	Daniel Woods – Australian Embassy, Timor-Leste
12 July	Fiona Hamilton, Team Leader, PNDS
13 July	Sra Kathleen Goncalves, Chamber of Commerce (CCI)
17 July	Project Management Unit – ADB programs
17 July	Sr Jose Mestre – Secretary General, Ministry of Public Works, Transport and Communications
19 July	Peter Roberts, Australian Ambassador



# Annex 3: Summary of evidence against intended outcomes

Progress against intended outcomes based on the R4D-SP Theory of Change in the M&E Plan, May 2018

LEVEL	RESULT	EVIDENCE STATEMENT – MAJOR ACHIEVEMENT (A), PROGRESS (P), CONSTRAINT (C) OR RISK (R)	CODE A, P, C, R	SOURCE OF EVIDENCE: INTERVIEW /DOCUMENT REFERENCE, DATE, SECTION/PAGE NUMBER
<b>Goal</b>	Women and men in rural Timor-Leste are deriving social and economic benefits from improved road access	<ol style="list-style-type: none"> <li>1. Since the inception of the R4D project in 2012, approximately 920,000 labour days of employment have been created, with a total of USD4.6 million paid in wages to rural workers. Since the beginning of the R4D-SP in April 2017, 260,089 labour days of employment were created for local populations amounting to approximately USD1.3 million in wages paid. Labour surveys have indicated that these wages have been used on purchases such as home renovation or the creation of small businesses, thus contributing to local economic development. 29.8% of these were for women, an increase from 2016's 25.8%</li> <li>2. 93% of female respondents in the 2017 preliminary findings of the Labour Survey indicated that R4D was their first experience in working a wage-paying job.</li> <li>3. Increased quantity and quality of all-weather rural roads, allowing for up to 50% reduced travel times – with a potential 5-hour travel time reduction in one direction, as well as improved access to health services, schools and other social services.</li> <li>4. An observed 100% increase in weekly income for local populations from the sale of agricultural products as a result of road rehabilitation efforts.</li> <li>5. 11 out of 20 contractor businesses were owned and run by women.</li> <li>6. Communities claimed income increases of around 75% as well as improved access to health care and education services. Construction and renovation of houses was conspicuous in all villages visited where roads had been completed, as a result of increased income and reduced transport costs for materials.</li> </ol>	A	<ol style="list-style-type: none"> <li>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 11 (heading 4.3)</li> <li>2. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1, Page 6</li> <li>3. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1, Page 6</li> <li>4. R4D-SP Evidence Matrix, February 2018, Section 1.1, Page 5</li> <li>5. Interviews with contractors</li> <li>6. Interviews with communities and observations in the field</li> </ol>
		<ol style="list-style-type: none"> <li>1. Due to lengthy procedures, combined with inadequate staffing in all municipalities, local contractors have faced significant delays (3–9 months) in receiving payment from the GoTL for completed work, leading to unrest and conflict between contractors and local communities, seriously affecting the progress of ongoing work.</li> <li>2. During interviews, contractors reported payment delays of a minimum of six months and sometimes up to a year.</li> <li>3. During interviews, maintenance crews reported that they had not yet been paid.</li> </ol>		<ol style="list-style-type: none"> <li>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.2 Page 13 (Dot point 2)</li> <li>2. Interviews with contractors</li> <li>3. Interviews with maintenance workers on the road and in the village</li> </ol>
		<ol style="list-style-type: none"> <li>1. Payment delays undermine contractor confidence and increase costs and inefficiencies. Conflict is created. Community is not paid for maintenance.</li> <li>2. Private sector does not invest in road construction and maintenance.</li> <li>3. Conflict between community workers and contractors and government.</li> </ol>		<ol style="list-style-type: none"> <li>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.2 Page 13 (Dot point 2)</li> <li>2. Interviews with contractors and community</li> <li>3. DFAT interviews and ILO interviews</li> </ol>
		<ol style="list-style-type: none"> <li>1. Emergency contracting remains prevalent and takes up considerable counterpart time.</li> </ol>		<ol style="list-style-type: none"> <li>1. Interviews with DRBFC / R4D-SP</li> </ol>
		<ol style="list-style-type: none"> <li>1. ToR for the IRMS for an international procurement have been developed, and it is currently out to tender.</li> </ol>		<ol style="list-style-type: none"> <li>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Page 12</li> </ol>
<b>EOPoS</b>	GoTL is effectively managing rural roads at national and municipal levels			

LEVEL	RESULT	EVIDENCE STATEMENT – MAJOR ACHIEVEMENT (A), PROGRESS (P), CONSTRAINT (C) OR RISK (R)	CODE A, P, C, R	SOURCE OF EVIDENCE: INTERVIEW /DOCUMENT REFERENCE, DATE, SECTION/PAGE NUMBER
EOPOs	Improved rural road access to selected rural communities	<ol style="list-style-type: none"> <li>Since R4D inception in 2012, 178km of rural road has been successfully rehabilitated, including 17.71km of core rural roads since April 2017. A total of 552km of roads have been brought under maintenance by R4D including some rehabilitated by other rural road-sector donor programs.</li> </ol>	P	<ol style="list-style-type: none"> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1, Page 10 (heading 4)</li> </ol>
	Increased skills, employment and income in selected rural communities	<ol style="list-style-type: none"> <li>260,089 labour-days have been created since April 2017, totalling USD1.3 million in paid wages. Approximately 920,000 labour days of employment have been created since the inception of the R4D program in 2012, with an estimated USD4.6 million paid in wages to rural workers.</li> <li>The 2016/2017 Contractor Labour Survey reports 76% (158 out of 206 interviewed) of labourers working on R4D rehabilitation projects had received training from their contractor in the work they were doing.</li> </ol>	P	<ol style="list-style-type: none"> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1, Page 11 (heading 4.3)</li> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1, Page 11 (heading 4.3)</li> </ol>
	Relevant GoTL agencies have functional rural road policy and strategy	<ol style="list-style-type: none"> <li>R4D's RRMPIs has been approved by the Council of Ministers as a national strategy for rural road implementation. Full sets of the RRMPIs have been distributed to all relevant members of the 7<sup>th</sup> Constitutional Government.</li> <li>RRMPIs has been distributed to GoTL ministries and agencies, municipalities, and other road stakeholders (e.g. ADB, PNDS)</li> </ol>	A	<ol style="list-style-type: none"> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 6. (heading 1)</li> <li>ILO interviews</li> </ol>
		<ol style="list-style-type: none"> <li>Due to lengthy ADN procedures, combined with inadequate staffing in all municipalities, local contractors have faced significant delays (3-9 months) in receiving payment from the GoTL for completed work, leading to unrest and conflict between contractors and local communities, and seriously affecting the progress of ongoing work.</li> </ol>	C	<ol style="list-style-type: none"> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.2 Page 13 (Dot point 2)</li> </ol>
Intermediate Outcomes	Relevant GoTL agencies have improved systems and procedures for rural roads management	<ol style="list-style-type: none"> <li>Collaborative efforts with the DRBFC led to the reviewing and updating of several R4D Phase I procedures, including processes regarding the design, monitoring, labour recruitment and maintenance of rural road rehabilitation.</li> <li>Two MSA, one DRBFC and one R4D-SP senior officials attended a training course at the International Training Centre of the ILO with regards to Innovations in Public Investments and Employment Programmes. Five DRBFC and MSA officials also attended the 17<sup>th</sup> ILO Regional Seminar for Labour-Based Practitioners. Participant feedback from both events indicates improved skills, knowledge and networking.</li> </ol>	P	<ol style="list-style-type: none"> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 7 (heading 1.2)</li> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 10 (heading 3)</li> </ol>
	Relevant GoTL agency staff have capacity to plan, manage and deliver rural roads works	<ol style="list-style-type: none"> <li>The Director of MDIR-DRBFC has adopted control over management for all awarded rural roads contracts since 2016.</li> <li>The 2017 Procurement process was led by 12 staff of the MDIR Secretariat General who were responsible for pre-bid training, bid submission, bid evaluation and preparing contract awards.</li> <li>MDIR assigned CDOs to R4D. National R4D-SP Field Engineering assistants also participated in the 2017 Pre-Bid Training for contractors.</li> </ol>	P	<ol style="list-style-type: none"> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 10 (heading 3)</li> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 10 (heading 3)</li> <li>ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 10 (heading 3)</li> </ol>

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Intermediate Outcomes	Collaboration between government agencies and development partners is strengthened	<p>1. ADB is piloting the Community Maintenance Group concept on the Baucau–Viqueque national road following discussions with R4D-SP.</p> <p>2. R4D-SP took over maintenance of SEFOPE's rehabilitated roads after commencing bilateral discussions.</p> <p>3. CDOs have been trained to improve gender-sensitive work environments and equitable recruitment of labour forces through collaborative efforts between R4D-SP and the East Timor Trade Union Confederation, the Secretary of State for Youth and Labour as well as numerous international organizations.</p> <p>4. ADB is supporting GoTL to draft a transport sector master plan (air, land, maritime) that builds on RRMPI's.</p> <p>5. Technical guidelines and social safeguard policies are being used by PNDS-SP and ERA-AF, and have been incorporated into training delivery by DBTC, including training delivery by DRBFC counterparts.</p>	P	<p>1. ILO 1<sup>st</sup> R4D-SP Progress Report August 2017, Section 2.1 Page 5 (dot point 1)</p> <p>2. ILO 1<sup>st</sup> R4D-SP Progress Report August 2017, Section 2.1 Page 5 (dot point 2)</p> <p>3. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 7 (heading 1.3)</p> <p>4. Interviews with stakeholders</p> <p>5. ILO interviews</p>
		<p>1. Whilst total GoTL fund allocation over the R4D lifespan has aligned with original commitments, annual allocations have proven inconsistent, with excessive funding in some years, and insufficient funding in others.</p>	R	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 8 (heading 1.4)</p>
		<p>1. In the 2016/17 financial year, 50 contractors were working within technical specifications and standards owing to USD13,390,722 in awarded contracts, fully funded by the GoTL via the Infrastructure Fund. In 2017/18, an additional 20 contractors were added.</p>	A	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 9 (heading 2)</p>
		<p>1. Required staff from the MDIR-DRBFC Head Office and the 48 staff from the municipalities that are available have not been formally assigned to the R4D-SP program as counterparts and are therefore often unavailable for R4D-SP activities.</p> <p>2. A letter by DG MPW dated 8 May 2018 identifies a total of 65 DRBFC staff at national and municipal level. This includes an M&amp;E counterpart though there is none in reality, and counterparts are often unavailable.</p>	R	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 8 (heading 1.4)</p> <p>2. Letter by DG PW dated 8 May 2018</p>
		<p>1. The statement in the 7<sup>th</sup> Constitutional Government led to a delay in the formulation of the 2018 Budget. It is unlikely that this will stall R4D operations in the short term.</p>	C	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.2 Page 13 (Dot point 1)</p>
	GoTL allocate adequate resourcing for rural roads rehabilitation and maintenance	<p>1. The Director of DRBFC indicated that MPW had requested the following for rural roads in the 2018 budget (next 6 months; 8<sup>th</sup> Constitutional Govt):</p> <ul style="list-style-type: none"> <li>■ USD400K to support operations</li> <li>■ USD7.3 mill for rural road construction and rehabilitation</li> <li>■ USD2.7 mill for maintenance.</li> </ul>		<p>1. Interviews with DRBFC</p>

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Intermediate Outcomes	Municipal roads departments have improved systems and procedures to monitor rural roadworks	1. Through staff training and relevant policy amendments, R4D-SP has strengthened the capacity for MDIR and municipalities to monitor contractor compliance of worker safeguards.	P	1. ILO 2 <sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 13 (heading 5.3)
		1. Municipal staff have insufficient operational budget to perform monitoring of contractors or implement safeguards without R4D-SP support.	R	1. Interviews with municipal staff
		2. Similarly the Ministry of Equality and Inclusion would be unable to promulgate policies at the municipal level without budget support from R4D (transport costs).		2. Interviews with Secretary of State, Equality and Inclusion
	Municipal roads departments staff are effectively ensuring quality and timeliness of rural roadworks	3. The current political situation has led to a lack of GoTL operational budget at municipal level for the improvement of systems and procedures for planning, implementation, monitoring and supervision of rural roadworks. No progress can be expected during a political stalemate.		3. R4D-SP Evidence Matrix, February 2018, Section 3.2, Page 12
		1. On-site quality and effectiveness inspections by counterpart staff on all ongoing projects has led to trained municipal staff gradually assuming responsibility for day-to-day implementation roles in procurement and contracts supervision and management.	P	1. ILO 2 <sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 11 (heading 4.1)
		2. R4D-SP intervention (training, etc.) has increased the capacity of municipal road departments to implement R4D outputs.		2. R4D-SP Evidence Matrix, February 2018, Section 3.1, Page 12
		1. Capacity development progress is constrained due to the lack of clarity on roles and responsibility at the municipal level regarding rural roadworks.	C	1. R4D-SP Evidence Matrix, February 2018, Section 3.1, Page 12
		1. 12 municipal chiefs and 24 supervisors have improved capacity and ability to monitor rural roadworks due to receiving monthly theoretical training and on-the-job coaching in planning, design, contract documentation, project management and quality assurance/control of rural roads using labour-based approaches.	P	1. ILO s2 <sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 10 (heading 4.1)
		2. 4 representatives of DRBFC and 2 public servants from Baucau municipality have attended pavement construction training delivered by DBTC in Feb/March 2018.		2. Project Brief June 2018 – DBTC and ERA-AF
	Local civil works contractors are effectively implementing rural roadworks according to standards	1. During interviews, engineers mainly referenced on the job training and coaching/mentoring. They did not refer to monthly theoretical training sessions.	C	1. Interviews with supervising engineers
		1. The 2016 Contractor's Tracer Study reports that R4D-trained contractors substantially increased their annual business turnover as a direct result of R4D-SP training and coaching.	A, P	1. ILO 2 <sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 9 (heading 2)
		2. Since April 2017, 489 staff of local construction companies received 1,135 training days on extensive coaching, pre-bidding, technical and managerial aspects of the planning and implementation of rural roadworks, conducted in collaboration with Don Bosco Training Institution and the IADE. This brings the total training output since 2012 to 1,317 staff and 15,425 training days. This training has led to marked improvements in the quality of finished roadworks as evidenced in CTS.		2. ILO 2 <sup>nd</sup> R4D-SP Progress Report December 2017, Section 1. Page 4 (Achievements paragraph 2)
		3. Field observations concur with the summary that R4D roads are of better quality than previous road construction/rehabilitation efforts.		3. Field observations and site visits



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<b>Intermediate Outcomes</b>	Local communities are employed for rehabilitation and maintenance of rural roads	<p>1. 260,089 labour-days have been created since April 2017, totalling USD1.3 million in paid wages. Approximately 920,000 labour days of employment have been created since the inception of the R4D program in 2012, with a total estimate of USD4.6 million paid in wages to rural workers.</p> <p>2. Employment of women often provides them with their first wage opportunity, giving them financial independence and providing better income than selling agricultural produce.</p> <p>3. The income generation from community employment is used to improve homes, start businesses, and pay for children's education.</p>	A	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1, Page 11 (heading 4.3)</p> <p>2. Community FGD; interview with Secretary of State for Equality and Inclusion</p> <p>3. Community FGD; Opening Up Remote Communities- ERA Stories</p>
		<p>1. A Rural Road Masterplan and Investment Strategy has been approved by the Council of Ministers.</p> <p>2. ADB and GoTL have developed a draft Transport Masterplan which aligns with the Rural Road Masterplan.</p>		<p>1. Rural Road Masterplan and Investment Strategy</p> <p>2. Interview with ADB</p>
		<p>1. Institutional direction on R4D-SP operations is lacking due to current decentralisation processes. Strategic engagement between MDIR and the MSA is required to ensure alignment in working with municipalities and the role of rural roads in the process.</p>		<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.2 Page 14 (dot point 5)</p>
<b>Immediate Outcomes</b>	Relevant GoTL agency establish and coordinates Inter-Ministerial Forum and Road Working Group	<p>1. The absence of a high-level effective coordination mechanism between concerned stakeholders has had a negative effect on program delivery. Hence, an IMRF and a technical RWG are being established by MDIR (MPW).</p>	R	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.2 Page 14 (dot point 4)</p>
	Relevant GoTL agencies staff have improved skills	<p>1. Through staff training and relevant policy amendments, R4D-SP has strengthened the capacity for MDIR and municipalities to monitor contractor compliance of worker safeguards.</p>	P	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 13 (heading 5.3); PAF SSC: Government Community Development Trainers' improved capacity in implementing R4D standard social safeguards provisions</p>
	Predictable annual budgets for rural roads sector	<p>1. Whilst total GoTL fund allocation over the R4D lifespan has aligned with original commitments, annual allocations have proven inconsistent, with excessive funding in some years and insufficient funding in others.</p> <p>1. Funding for civil works contracts has been 100% funded by the GoTL since 2015. Since 2014, the GoTL has fully funded the maintenance of rural road work. These funds are taken from the Infrastructure Fund (rehabilitation) and MPW (maintenance in 2017).</p>	R	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 8 (heading 1.4)</p>
	Municipal road department staff have improved skills and capacity to manage rural roadworks	<p>1. Through staff training and relevant policy amendments, R4D-SP has strengthened the capacity for MDIR and municipalities to monitor contractor compliance of worker safeguards.</p>	P	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 12 (heading 5.2)</p>
		<p>1. R4D-SP intervention (training, etc.) has increased the capacity of municipal road departments to implement R4D outputs.</p>	P	<p>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 13 (heading 5.3)</p>
		<p>1. Progress is proving constrained due to the lack of clarity on roles and responsibility at the municipal level regarding rural roadworks.</p>	C	<p>1. R4D-SP Evidence Matrix, February 2018, Section 3.1, Page 12</p>

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<b>Immediate Outcomes</b>	Local civil works contractors compete for rural road work tenders	<ol style="list-style-type: none"> <li>1. Despite the delayed payments all contractors stated they would continue to compete for work under the program and many have invested in the business.</li> <li>2. Feedback from the procurement teams indicate they have 2–4 complying bids per tender</li> <li>3. The number of bidders for rehabilitation works has increased but the number of maintenance contracts has decreased due to margins and difficulties.</li> </ol>	P	<ol style="list-style-type: none"> <li>1. Interviews with contractors</li> <li>2. Interview with Public Works staff</li> <li>3. Interviews with national procurement director</li> </ol>
	Local civil work contractors' skills are improved	<ol style="list-style-type: none"> <li>1. The 2016 CTS reports that the overall quality of road rehabilitation work has improved due to the R4D training and coaching the contractors have received.</li> <li>2. Through training and relevant policy amendments, R4D-SP has improved the capacity of contractors to provide workers' insurance as well as employment equity with regards to gender and disability.</li> <li>3. Contractors indicated that the training has been beneficial in learning about bidding, financial management and quality control, and is useful for the companies' operations.</li> </ol>	P	<ol style="list-style-type: none"> <li>1. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 9 (heading 2)</li> <li>2. ILO 2<sup>nd</sup> R4D-SP Progress Report December 2017, Section 2.1 Page 13 (heading 5.3)</li> <li>3. Contractor interviews/FGD</li> </ol>

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