



# Timor-Leste Governance for Development Program Review Summary

Department of Foreign Affairs and Trade  
January 2020

## Introduction

The Governance for Development (GfD) program is the Australian Department of Foreign Affairs and Trade's (DFAT) main program with which to engage central ministries and agencies of the Government of Timor-Leste (GoTL). The program was designed during 2011–13. An interim phase started in 2013, followed by Phase 1 (2014–2017) and Phase 2 (2017–2021). Its approved budget is AUD 72 million. It is led by the Australian Embassy in Dili with implementation support from a managing contractor (Cardno Emerging Markets).

**GfD has two end of program outcomes (EOPOs):**

- government makes evidence-based decisions and policy; and
- improved implementation of policy and service delivery.

**GfD covers four work areas and two cross-cutting themes:**

- public financial management (PFM);
- public administration reform;
- economic development;
- 'Other Voices' to influence policy; as well as
- gender and disability mainstreaming.

## Review purpose and methodology

**This is the first external review of the GfD Program**, two years before it is due to end. There was no independent mid-term review before its second phase started in 2017.

**The review examines GfD's effectiveness, relevance and efficiency, and provides recommendations** for the current program and design of any future Australian governance investments. It comprised a review of 230 documents and a context analysis; interviews with 124 people before and during fieldwork in Timor-Leste in September and October 2019; and two workshops to test preliminary findings with the steering committee and GoTL officials.

## Program context

**Timor-Leste is one of the world's poorest countries:** 30% of the population live on under \$1.90 a day (the international poverty line) and more than 40% are not able to meet their basic needs. Timor-Leste's oil resources have provided it with an independent source of financing for development. At its peak, oil represented 90% of exports and 95% of government revenues.

**GfD was designed to accompany GoTL continued improvements of service delivery and economic development** in line with its 2030 Strategic Development Plan. As a newly independent country, Timor-Leste has had to develop new institutions. Public service capacity, particularly PFM and human resources, started from a very low base, but is fundamental to ensure that limited resources are used towards GoTL objectives.

GfD's effectiveness and efficiency during the course of implementation have been affected by three main factors.

**First, Timor-Leste's domestic context changed.** GfD initially operated during a period of political stability, with a 2015–2017 'informal grand coalition' among politicians who had led the 1975–1999 resistance against Indonesian rule. GfD was well positioned to support the Prime Minister's agenda of reforming PFM, public administration and service delivery, and improving economic policy-making. Since the 2017 and 2018 elections, Timor-Leste has suffered from political instability. The current President of the Republic is yet to swear in nine ministers and vice-ministers proposed by the coalition government. This political stalemate has made GfD assistance more complex to deliver.

**Second, the maritime boundary between Timor-Leste and Australia has been the focus of protracted negotiations.** At times these hindered GfD's operations (for example, in some cases, the Australian Embassy had more limited access to senior counterparts and foreign advisers have been rejected). In March 2018, the boundary was settled along the median line. The Maritime Boundary Treaty between the two governments was ratified on 30 August 2019.

**Third, GfD was designed as a flagship Australian Aid (AusAid) program, with an ambitious scope and flexible approach** that would rely on continuous engagement from senior DFAT staff. The significant transformation of Australian development cooperation (as AusAid integrated into DFAT in 2014) has limited the program's ability to operate as originally envisaged. Resources for GfD were reduced, including the number and mix of Australian and Timorese staff from DFAT working on GfD. This contributed to some of the management challenges the review has documented.

## Overall program findings

### What did the program achieve?

GfD was designed to influence selected policy areas relevant to service delivery and economic development by identifying reform opportunities, putting in place relationships with key decision-makers and influential stakeholders, and involving them in 'technically sound and politically possible' solutions.

**Overall, GfD has achieved reasonable progress in developing new laws, policies and systems (EOPO 1) but less on their implementation (EOPO 2).** GfD was more effective under the 2015–2017 VI<sup>th</sup> Constitutional Government of national unity because the Prime Minister was better able to steer a reform agenda, including with a Coordinating Ministry with authority over the key economic ministries.

Achievements include:

**The PFM work area** (57% of GfD work area spend to date, or AUD 21.9 million) has delivered:

- the introduction of budget classification as a first step towards program-based budgeting (PBB);
- an automated budget formulation tool;
- gender-responsive budgeting that more systematically takes into account the priorities of women in budget allocation, implementation and monitoring; and
- improvements in the capacity of the General Directorate of Statistics to provide reliable and timely key data sets to inform budgeting and policymaking.

**Public administration reform** (11% of work area spend, or AUD 4.4 million):

- New human resources management laws, policies and systems (eg to introduce merit-based recruitment and promotion; tackle sexual harassment; promote affirmative action for women; and increase awareness of disability issues in the public service).

**Economic development** (17% of work area spend, or AUD 6.4 million):

- greater use of evidence in economic policymaking based on high quality academic reports;
- improved access to finance through Timor-Leste's commercial bank and microfinance bank; and
- new aviation policy and improved capacity of the aviation regulator (AACTL).

**'Other Voices'** (15% of work area spend to date, or AUD 6 million):

- A Policy Leaders Group that aims to bring together young like-minded reformers, activists, 'progressive' politicians, policy makers and academics to discuss issues facing the country.
- Support to two highly respected local non-government organisations, Fundasaun Mahein (FM) on security and the Judicial Sector Monitoring Program (JSMP) on justice, which were at risk of closing without Australian support.

## Was the program relevant?

**Economic development and service delivery, the high-level program objectives, are relevant to the Timor-Leste national context** and adapted to Timor-Leste/Australia diplomatic relationships.

GfD was designed to respond to Timor-Leste's nationally determined priorities, in particular Timor-Leste's Strategic Development Plan (SDP) 2011–2030, which plots a path for Timor-Leste to leverage its oil and gas resource wealth to bring about equitable development for all Timorese.

As examined below, while the GfD four work areas are relevant at a high level given the context, specific work area priorities have, at times, been less relevant, either because of how they were designed and delivered, or because the context evolved.

## How did the program operate and was it efficient?

**GfD was conceived as a developmental facility, with specific initiatives meant to be designed during the course of implementation within the framework of a broad theory of change**

(ToC). The review team could not find evidence that the program's ToCs have guided implementation strategically by helping GfD management make rigorous investment decisions. The early GfD reports were written by GfD advisers and were mostly descriptive, rather than rigorously assessing progress by testing assumptions and causal pathways between interventions and outcomes. Most significantly, there was no independent review at the end of Phase 1 in 2016, which would have provided an evidence base to inform the design of Phase 2. Since late 2018, GfD management has invested more in monitoring, evaluation and learning (MEL). The review team notes these improvements (such as an updated ToC and higher quality reporting) but finds that continued efforts are needed to ensure the ToC and MEL guide program implementation strategically.

**The program was designed to 'think and work politically' (TWP).** In a volatile political context, GfD has been strongest in its flexibility (starting or ending interventions with partners, scaling up or down budgets) and its ability to adapt to the changing political environment in Timor-Leste, and Australian-Timorese relationships. It identified new GoTL partners and, at their request, deployed advisers; or funded new grantees as opportunities emerged. DFAT interviewees consider this one of the program's strengths.

**However, TWP is much more than adaptation; it requires a rigorous analysis of the context and testing of strategies to effect long-term change.** GfD did not always use rigorous processes to 'think politically'. While the program is to be commended for drawing on the informal political understanding of Australian Embassy national staff and national advisers, it did not use more formal political economy analysis (PEA) in a systematic way to identify the most appropriate interventions; test how an intervention might lead to broader change; or assess new proposals during regular review and redesign workshops. The review team was only provided with a limited number of documented PEAs and cannot evidence the reported regular Australian Embassy/Cardno discussions.

Review and reflection workshops usually took place annually, but there was no workshop between 2016 and 2018, a critical period during which Phase 2 started and the Timor-Leste political context became more unstable.

**Sometimes GfD's approach tended to be more 'reactive' rather than responsive.** That is, in the absence of more rigorous and systematic analysis of the options available to it, GfD interpreted 'working politically' as being aware of the latest daily and weekly changes in, and conflicts between, government actors, and did its best to respond to GoTL requests. While this ensured activities were consistent with the immediate political context, it tended to skew them away from proactively exploring alternative voices and initiatives that might help to construct coalitions in favour of different approaches in the medium to longer term.

**GfD was designed to be led from the Australian Embassy**, with a Counsellor as the Program Director supported by a managing contractor. Since 2014, following the integration of AusAid into DFAT, Embassy staff have been given additional responsibilities that have reduced their capacity for strategic direction, oversight and management of DFAT-led grants and programs. In 2019, Cardno's Operations Director was replaced by an international Team Leader and a second international position (Program Coordinator) was created.

**The reallocation of responsibilities from DFAT to Cardno as a Team Leader, with greater involvement in strategy, has been appropriate and more efficient.** It increased Cardno's capacity for strategic as well as operational support. The review team has received positive feedback on the effectiveness of Cardno's leadership team from GoTL counterparts, and the Australian Embassy is pleased with the support it receives from the managing contractor.

**Although GfD does not have a steering committee with GoTL representation, this suits Timor-Leste's current political environment.** GfD would nonetheless benefit from more regular and in-depth technical oversight and advice across all work areas, to provide a sounding board and impartial assessment for DFAT and Cardno managers.

**GfD is an ambitious program, better described as a 'developmental facility'.** Each work area could be a distinct program in its own right. GfD has supported many reforms (in particular in the economic development work area) across 35 partners and grantees. Some of the reforms were complex and took longer than expected to make progress. On occasion, it is clear that GoTL did not have the ability to absorb GfD assistance.

**GfD has facilitated a number of cross-program working groups** (on decentralisation, private sector development and ICT). There is room for further linkages between GfD and other Australian programs, to leverage GfD's access and ability to engage with central GoTL agencies.

**Technical advisers represent 80% of GfD expenditure.** Cardno has directly managed 166 advisers since the start of the program, both long- and short-term. There has been an appropriate shift from international towards more national advisers, with international advisers justified only when rare skills are needed. The review team heard repeated evidence that the efficiency of Cardno's delivery has been high and its professionalism appreciated by GoTL. Advisers have been identified, appointed and placed reasonably quickly and generally to the satisfaction of counterparts.

**The quality of the relationships and degree of trust between GfD advisers and their GoTL counterparts have been significant success factors.** Advisers have helped GoTL develop new policies, laws and systems and contributed to some improved individual skills and competencies. However, they have not always developed sustainable system or agency-wide organisational capacity in the public service or private sector.

**Grants represent 29% of the program to date**, although this varies year-on-year with 43% grant funding in financial year 2018/2019. Grantees include Australian organisations (the Australian Bureau of Statistics (ABS) and Monash University); international organisations (World Bank, Asia Development Bank (ADB), International Finance Corporation (IFC), Organisation for Economic Co-operation and Development (OECD)); international non-governmental organisations (The Asia Foundation (TAF), Oxfam, the International Republican Institute); and national non-government organisations.



**Grants have been in general an appropriate modality to deliver more arm's length support while drawing on the technical expertise and relationships of the grantees.** However, the drawback of grants is that they also reduce GfD's direct influence and complicate coordination across GfD's many interventions.

**Overall, GfD is assessed as representing 'adequate' value for money (VfM).** Its three main work areas (PFM, public administration and economic development) are also assessed as 'adequate' VfM. As described below, some individual interventions delivered good results for reasonable financial costs but across the board, there are fewer activities with 'good' VfM ratings than those with 'adequate' or 'poor' VfM. Given the large number of individual activities initiated during GfD, this finding suggests a less effective activity selection and implementation methodology. The 'Other Voices' cross-cutting work area is assessed as 'good' VfM due to the performance of TAF in supporting the Policy Leaders Group.

**The costs associated with the managing contractor represent AUD 9.7 million or 21 % of the program budget.** While they are considered efficient, with improvement reported in the last year, this cost is consistent with management of similar technical assistance programs, and represents 'adequate' VfM.

## Public financial management

**GfD support to PFM has had two distinct phases. During 2013–2016, GfD provided direct budget support (DBS) to the Ministry of Finance (MoF) to manage all PFM reforms.**

GfD advisers were placed in the Ministries of Finance, Education, Health and the Office of the Prime Minister (OPM). GfD also funded World Bank analytical and advisory assistance (AAA). This package of support was stopped in 2015 in response to a changed political and institutional context (including reduced trust between Australia and Timor-Leste during the Maritime Boundary Treaty negotiations); performance concerns in MoF's use of DBS and with World Bank outputs; as well as GfD budget cuts. This was GfD's most significant response to a changed political and institutional context. This first PFM phase contributed to a limited degree to evidence-based policies, and is not judged to have been efficient, delivering 'poor' VfM as a result.

**Since 2016, GfD has supported the policy of replacing conventional budgeting with PBB,** associated with a transfer of budget responsibilities from the MoF to OPM's Planning, Monitoring and Evaluation Unit (UPMA). Support through the PMO was the more politically feasible option for DFAT to stay involved in PFM reform at a tactical level. Considering this decision from a program-management perspective, the team was not able to find evidence of a strategic assessment of technical or allocative efficiency, sustainability of the long-term PBB initiative or the opportunity cost of this decision. The absence of a formal record of the decision to reorient PFM inputs contravenes the GfD Investment Design Document and represents a weakness in both GfD program documentation and management.

**Critically, the 'pivot' had an important effect on DFAT partnerships.** The termination of DBS and AAA in 2015 led to DFAT's effective withdrawal from the MoF and a damaged relationship with the World Bank (both traditional PFM leads). GfD, and any future DFAT investments in PFM, will need to rebuild these relationships to sustain the work needed to implement PBB fully over the next decade.

**In the PFM second phase (2016–2021), GfD is contributing to evidence-based policies as well as to the implementation of new systems** by supporting OPM to introduce: a budget classification for GoTL budgeting as a first step towards PBB; an automated budget formulation tool; and gender-responsive budgeting. Advisory support to UPMA was an appropriate modality, demonstrating greater efficiency and effectiveness than previous PFM initiatives, and 'good' VfM. GfD also funded the OECD to inform GoTL policy and decision-making on PBB, which resulted in a GoTL Roadmap of Budgetary Governance Reform. PBB is relevant, but effective implementation will require long-term GoTL-wide commitment in a frequently changing political-institutional context. To remain sustainable, the PBB initiative will require more effective collaboration between GfD, DFAT and MoF, as responsibility for this long-term initiative moves from UPMA to MoF in 2019.

**The MoF Directorate General of Statistics has received continuous GfD support through the ABS since 2014.** This support was relevant given the poor quality of Timor-Leste statistical data on which policies and resource allocations should be based. Alongside other donors, GfD support has resulted in sustainable in-house capacities to provide reliable and timely key data sets. For example, the directorate has the capacity to produce quarterly consumer price index and business activity statements. It can prepare national accounts with limited annual oversight from the ABS. Further, gender, disability and inclusion monographs are now being prepared using GoTL census and demographic survey data, with editorial support from a range of donors, including the ABS, UN Women and the UN Washington Group on Disability Statistics. The ABS helped GfD arrive at a workable approach to mapping disability across the civil service.

The ABS grant modality to support the Directorate General of Statistics, with pragmatic ambitions linked to well-defined needs, provided 'good' VfM.

## Public administration

**Since 2014, GfD has placed advisers within the Civil Service Commission (CSC)** to introduce new human resources management policies and systems across the public service. CSC support represents 94% of expenditure to date under this work area.

**In 2018, GfD broadened its approach** by providing advisers to the Ministry of Legislative Reform and Parliamentary Affairs (MRLAP) to prepare a comprehensive Public Administration Reform strategy, and in 2019 it agreed to provide advisers to GoTL central ICT unit responsible for e-governance.

**Support for a meritocratic and better performing public service is absolutely an appropriate policy objective** in any polity, and especially so in a capacity-constrained environment. However, in the context of a patronage-based political economy relying on oil and gas, this focus on human resources management alone was not the most relevant. The CSC, which Australia has been assisting since 2009, faces strong political incentives for the politicisation of the civil service, use of GoTL advisers (in addition to permanent civil servants) and continued resistance from line ministries. The GoTL's draft Public Administration Reform plan threatens the CSC mandate, and, in the view of this review team, is over-ambitious. GfD could have targeted 'Other Voices' grants around a common strategy to improve public service responsiveness, transparency and accountability, as well as capacity.

**GfD has contributed to new human resources management laws, policies and systems.**

The first centralised merit-based promotion process for permanent civil servants covering 10,000 candidates took place during 2018–2019. A workforce planning policy process continues. Sexual harassment in the public service is being tackled with a manual, reporting and disciplinary measures, in collaboration with UN Women. In 2019, GfD increased awareness of disability issues.

**Implementation has been uneven in the face of institutional resistance.** Overall, there is a lack of evidence that GfD investments since 2014 have resulted in improved public service performance or that they are addressing the main public administration barriers to service delivery. It should be noted that such whole-of-government reforms are notoriously difficult to achieve.

**GfD public administration advisers are valued by their counterparts. GfD needs to manage the risk that its advisers do not build either individual competencies and skills or organisational capacity** and can pull in different directions (providing inconsistent advice to MRLAP and the CSC for example). Overall, the work area is considered to have delivered 'adequate' value for money, comparing costs to results.

# Economic development

**GfD has worked across several areas of economic development.** In 2015, GfD provided the Coordinating Economic Ministry with advisers that enabled progress on a range of reform initiatives and to devise a strategy for economic reform. However, progress in several areas has been affected by the political uncertainty since 2017.

**In terms of relevance, GfD chose not to address some of the most critical economic challenges.** For example, it has not been able to contribute to oil and gas policy, because assistance from Australia was neither sought, nor would likely be welcomed. However, experience from other programs suggests it is possible to engage in sensitive sectors, such as oil and gas, if an arm's length approach is taken. This may be something that DFAT may wish to consider. GfD has also elected not to work on some economic issues that are known to be binding constraints on growth (such as human capital, infrastructure or land). This may reflect the existence of other DFAT programs working in these areas (eg the Workforce Development Program (WFDP) and the Roads for Development (R4D) program). GfD has focused its efforts on some areas (business licensing, access to finance and aviation), which, while undoubtedly important, are less critical constraints for Timor-Leste's growth. GfD support for evidence in economic policy has undoubtedly been relevant.

**Overall, GfD has facilitated the use of evidence in economic policymaking.** Several respondents stated that the high-quality Monash University reports have been influential. GfD has contributed to improved access to finance: capacity building and regulatory technical assistance for the commercial bank BNCTL (provided through the ADB) and for the microfinance bank KIF (provided by the IFC) have helped in the expansion of both banks, and improved the ability to provide finance to customers. GfD has also contributed to a new aviation policy and has improved the capacity of the aviation regulator (AACTL).

**There have been fewer improvements in investment or the ease of doing business.**

The business registration and licensing agency, SERVE, has become an autonomous one-stop shop, but still lacks control over the issuance of many licences. The investment promotion authority, TradeInvest, has created an Investment Reform Roadmap, but this had not been approved by the Council of Ministers at the time of fieldwork.

**The review team concludes that the economic work area attempted to push through too many reforms simultaneously, and made less progress when the political situation changed after 2017.** While some economic laws were promulgated and an economic modelling tool for agricultural products developed, other economic or agriculture policy initiatives could not be continued after the end of the VI<sup>th</sup> Constitutional Government.

**GfD has used an appropriate mix of advisers, grants and funding to international financial institutions. Despite this, the review team concludes that greater engagement with non-government actors might have allowed the program to be more effective and efficient** (eg think tanks generating knowledge products, media engagement, links to scholarships, private sector links, and support to parliamentarians and parliamentary committees). Moreover, neither GfD nor the Australian Embassy had access to ongoing technical economic expertise to maintain a strategic approach.

**The overall VfM for this work area is judged 'adequate'.** In the team's view, the Monash University and aviation work represented 'excellent' VfM and SERVE was 'good' VfM, while the other initiatives in the economic development area represented 'adequate VfM'.

## 'Other Voices' and cross-cutting issues

**GfD has supported 'Other Voices' mostly through grants to influence policymaking.**

These 'voices' include research institutions in Australia, young politicians and GoTL advisers, national NGOs (eg FM, JSMP) and international NGOs (eg TAF, Oxfam).

**'Other Voices' support, mostly limited to economic development, has been relevant in the Timorese national context** as there is a lack of wider analysis, discussion and debate on economic issues. The Policy Leaders Group, supported through TAF, aims to bring young like-minded reformers, activists, progressive politicians, policy makers and academics to discuss various issues facing the country from a public policy perspective. This appears to have been quietly effective. Numerous respondents endorse the idea of DFAT supporting the creation of a 'think tank' or some other mechanism of facilitating serious Timorese investigation and research into key policy issues to fill the gaps in evidence-based policy debate in Timor-Leste. This grant is assessed as 'good' VfM.

**Beyond the Policy Leaders Group, the program does not have a strategy for engagement with a wider range of Timorese stakeholders** who could influence policy, monitor and demand improved services. National thematic NGO networks, social media, the church, private sector organisations, journalists and parliamentarians are all significant Timorese influencers with whom GfD could more deeply engage.

**DFAT seems to have treated this cross-cutting work area as a facility for other Australian priorities that could not be funded through other channels.** 'Other Voices' seem to have been interpreted to cover any issue potentially relevant to policymaking or service delivery and of interest to the Australian Embassy. For example, support to two local NGOs on security and justice (24% of total 'Other Voices' spend) falls outside the main GfD thematic priorities but reflect Embassy priorities. GfD also funded support to elections (which was not reviewed). This work area would benefit from a strategic framework for prioritisation. Funding Embassy priorities beyond GfD core themes may reduce its VfM as management time and financial resources are redirected.

**GfD has prioritised gender as cross-cutting issue, and later on disability.**

Using advisers for cross-cutting issues has been appropriate to avoid a siloed approach. Gender and disability have been addressed unevenly, in particular under economic development interventions, with clearer results in PFM (such as gender-responsive budgeting) and public administration (measures against sexual harassment, disability awareness in the public service). GfD has not adequately addressed rural or youth inclusion, which are highly relevant. A new AUD 200,000 Oxfam grant will address these issues (the grant has not been reviewed as it was too new at the time of fieldwork).

## M&E House

Suite 2A, Level 2, Seaview Offices  
Avenida de Portugal  
Dili, Timor-Leste

[info@meh.tl](mailto:info@meh.tl) • [www.meh.tl](http://www.meh.tl)

[+670] 7800 9314



Australian Government

Department of Foreign Affairs and Trade