



DEMOCRATIC REPUBLIC OF TIMOR LESTE

**2011 SURVEY FOR
MONITORING THE IMPLEMENTATION OF THE
FRAGILE STATES PRINCIPLES**

DRAFT COUNTRY CHAPTER

11 APRIL 2011

This Draft Country Chapter is being circulated in its current form in order to seek comment and feedback by a wide range of stakeholders. Stakeholder feedback should be passed to the relevant organization by 26 April 2011.

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AMP	Alliance of Parliamentary Majority
ASEAN	Association of Southeast Asian Nations
CPIA	Country policy and institutional assessment
ETDA	East Timor Development Agency

EU	European Union
F-FDTL	Timor-Leste Defence Forces
GDP	Gross domestic product
GNI	Gross national income
GoTL	Government of Timor-Leste
IDP	Internally displaced persons
IDPBSB	International Dialogue on Peacebuilding and Statebuilding
IMF	International Monetary Fund
MDG	Millennium Development Goals
MTEF	Medium term expenditure framework
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PFM	Public financial management
PNTL	Timor-Leste National Police
SDP	Strategic Development Plan
SWAP	Sector-wide approach
TFET	Transitional Fund for East Timor
UNDAF	United Nations Development Assistance Framework
UNMIT	United Nations Integrated Mission in Timor-Leste

MAP 1. MAP OF TIMOR-LESTE



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FOREWORD

H.E. Prime Minister Kay Rala Xanana Gusmão

PREFACE

*H.E. Minister of Finance, Emilia Pires,
Chair of the 2011 Fragile States Principles Survey Round*

ACKNOWLEDGEMENTS

This draft Country Report is part of the 2011 Fragile States Principles (FSPs) Monitoring Survey, which is supported by the Organisation for Economic Co-operation and Development (OECD).

The final report will be made available in English, Tetum and Portuguese. The report has been prepared by Mr Gregory Wilson (the consultant), under the responsibility of the National Coordinator, Dr. Helder da Costa and Mr. Leigh Mitchell with inputs from the Survey's International Focal Points, Ms. Jemal Sharah (Counsellor, AusAID), Ms. Cao Lin (UNDP) and by the OECD who contributed to the data and statistical analysis.

This report was prepared on the basis of the multi-stakeholder consultation held on 17 March 2011 in Dili, Timor-Leste which was facilitated by Dr Rui Gomes (UNDP); and initial and follow-up interviews and focus group discussions conducted by Mr Gregory Wilson; and comments received on the first draft, both in writing and in follow up consultations. As such, it reflects the views of the main stakeholders in Timor-Leste rather than the author's or OECD analysis.

The Government of Timor-Leste and the OECD wish to thank all the national and international stakeholders who have contributed to the consultations. This report could not have been prepared without the valuable inputs and views contributed by those within Government, the international community and civil society. It is hoped that the findings of this report will help strengthen international engagement and aid effectiveness in Timor-Leste. The combined findings of the 2nd round of the Fragile States Principles Monitoring Survey (2011) measures progress on application of the FSPs over time, and results will be presented at the 4th High Level Forum on Aid Effectiveness in Busan, South Korea November - December 2011.

INTRODUCTION

The Fragile States Monitoring Survey consultations in Dili, Timor-Leste on 17 March 2011 brought together Government officials, development partners and civil society for a review of international engagement and support to Timor-Leste. The meeting concluded that, while development assistance has made significant contributions to peacebuilding and statebuilding, more is required to improve the effectiveness and impact of development partner engagement. In particular, the Government has identified a new national vision and prepared a longer term Strategic Development Plan (SDP) to address the changing nature of development challenges in Timor-Leste. The Government of Timor-Leste (GoTL) and development partners might consider this an appropriate time to revise the current partnership model to ensure that aid can be configured to support longer-term objectives. This report examines a number of ways in which this can be achieved

Since the last survey in 2009, the GoTL has developed its capacity to coordinate and manage international support. As Timor-Leste moves towards a medium-term planning framework the Government and development partners now should consider to further strengthen this capacity, to encourage further the Government to take full leadership of the development process. Such a shift will require further strengthening of existing coordination mechanisms and bodies, both at the centre and outside, and a carefully considered incremental approach to improving the capacity of country systems.

The priority actions set out in Part II of the report provide a number of suggestions on how to strengthen existing partnerships and some specific actions that GoTL, development partners and other stakeholders can work on together to advance the development agenda for the benefit of Timor-Leste's citizens.

Summary Findings Table

PRINCIPLES	2009 FINDINGS	2009 PRIORITY ACTIONS	2011 FINDINGS	2011 PRIORITY ACTIONS
Take context as the starting point	International engagement is based on sound political and social analysis. The ever-evolving context creates a lack of a shared vision and a coherent path towards sustainable development due to project fragmentation and “Dili-centric” focus.	<ul style="list-style-type: none"> ▪ Make improvements to sharing the analyses of context through a common diagnostic with national stakeholders ▪ Adopt an agreed ongoing consultation process to map changes in context 	<ul style="list-style-type: none"> ▪ All stakeholders recognize the importance of taking context as a starting point – some clear differences of opinion on prospects for growth ▪ 3 successive years without conflict yet increasingly unpredictable global economy and aid environment ▪ Recent stability has presented new challenges for GoTL and development partners. Time to think ‘outside the box’ as Timor-Leste graduates from a post-conflict to a development state 	<ul style="list-style-type: none"> ▪ A renewed focus on results driven development solutions ▪ Increased focus on joint analysis and assessments ▪ Increased dialogue on the implications of the new SDP
Do no harm	There is competition for staff between donors and the government. Risk developing a governance system beyond sustainable means. The risk of a rural-urban divide in aid and a too narrow focus on central institutions leaving aside a more inclusive approach to	<ul style="list-style-type: none"> ▪ Increase investment in rural areas, and develop “Timor- appropriate” systems of governance ▪ Reduce salary differentials between international organizations and government ▪ Support credible research on the impact of the international 	<ul style="list-style-type: none"> ▪ Need for donors to better understand the depth and breadth of local politics ▪ Impact of the simultaneous pursuit of different governance systems ▪ Inflationary impact that competition from international agencies has had on local 	<ul style="list-style-type: none"> ▪ Development partners improve induction of their staff ▪ Development partners need to conduct credible research into the impacts of the international community on the local economy ▪ Develop Government

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	development was highlighted.	community on the local economy.	wages <ul style="list-style-type: none"> UNMIT Transition could have major impact 	policy on the use of consultants in the civil service
Focus on statebuilding as the central objective	There is a risk of undermining broader capacity development through narrow international technical assistance and a need for better sequencing of capacity development and support to not only the executive but also oversight and accountability institutions.	<ul style="list-style-type: none"> Strengthening the focus of line ministries on improving service delivery Develop a national capacity-strengthening strategy. Strengthen the roles of the Parliament, civil society and the media as checks and balances Focus not only on statebuilding but also nation-building. 	<ul style="list-style-type: none"> All agree that peacebuilding and statebuilding should be considered critical to lasting peace and development. Few respondents directly challenged development partner approaches to integrating statebuilding into development agendas and strategies Assistance may not be being provided in a manner supporting the balanced strengthening of State institutions Timorese leadership demonstrates progress and is developing confidence to manage potential crises 	<ul style="list-style-type: none"> Strengthen all the institutions of the State Increase political dialogue around statebuilding issues
Prioritize prevention	Prevention is part of most of the programming. However, long-term support for peacebuilding an integrated approach going beyond security is needed.	<ul style="list-style-type: none"> Promote an integrated approach to peace Support the Government's decentralization process. 	<ul style="list-style-type: none"> Uncertainty surrounds the issue of decentralization. Importance of understanding Timorese identity Further national 	<ul style="list-style-type: none"> Consolidate support and strategy for prevention Government and development partners to recommit to specific policies that help reduce the

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			<p>dialogue to help bridge strong political divisions emerging around this theme</p> <ul style="list-style-type: none"> ▪ UNMIT withdrawal in 2012 	<p>potential for conflict</p>
<p>Recognize the links between political, security and development objectives</p>	<p>Donors recognize the links, but mixed views about the effectiveness of the linkages between the 3D's. While "buying peace" in the short run was judged effective, long-term engagement in human rights and justice questions is necessary for sustainable peace.</p>	<ul style="list-style-type: none"> ▪ Sustain efforts to maintain dialogue and improve co-ordination between diplomatic, development and security actors, even in times of relative stability 	<ul style="list-style-type: none"> ▪ Security and development are indeed integrated and reflected in the National Priorities Process ▪ GoTL recognizes links to social justice, welfare and service delivery - particularly for rural populations, and the potential negative impact of poverty on peace and stability. 	<ul style="list-style-type: none"> ▪ Development partners to demonstrate greater clarity on how they recognize the links between political, security and development objectives ▪ Increased government focus on accountability
<p>Promote non-discrimination as a basis for inclusive and stable societies</p>	<p>Low attention to needs of youths, women, and other vulnerable groups. "Dili-centric" approach enhances rural-urban divide.</p>	<ul style="list-style-type: none"> ▪ Agree a greater division of labor by sector and/or region to avoid being overly "Dili-centric". ▪ Systematize and deepen the dialogue with civil society through the National Priorities process. 	<ul style="list-style-type: none"> ▪ Emphasis of development partners was skewed towards setting up the institutions of State - a better balance is necessary ▪ Support is still largely focused on primary education - there is a sense that investment in the tertiary education sector would help in the longer term to address skills and unemployment ▪ A more comprehensive strategy to develop 	<ul style="list-style-type: none"> ▪ Government and development partners to avoid the continuing concentration of resources and efforts on Dili and seek greater unity of effort to address discrimination ▪ Government and development partners to systematize and deepen the dialogue with civil society.

			longer term and sustainable social security system is required	
Align with local priorities in different ways in different contexts	Efforts are hampered by the fluidity of the security situation, the absence of a mid- and long-term planning framework and missing flexibility of international actors. Competing donor interests and supply-driven approaches are a challenge.	<ul style="list-style-type: none"> ▪ Put in place a multi-year, medium-term development framework. ▪ Share data on aid programs with development partners and line ministries. ▪ Commit to aligning on sector strategies and move over time towards budget support. 	<ul style="list-style-type: none"> ▪ General consensus that the Government had taken a long time to produce the SDP ▪ National Priorities Process offered a successful mechanism upon which to bridge the intervening years between conflict and the release of a longer-term strategy ▪ Timor-Leste's experiences does offer a lesson for other countries seeking to adopt similar approaches to strategic planning coming out of conflict 	<ul style="list-style-type: none"> ▪ Development partners to consider increasing use of country systems ▪ Alignment of development partners programmes with the SDP
Practical co-ordination mechanisms	Despite improvements, there could be more co-ordination. Donors need to define their comparative advantage, pool resources and reduce administrative burdens.	<ul style="list-style-type: none"> ▪ Clarify the pathway for development partner engagement. ▪ Identify mechanisms for better high-level co-ordination and dialogue. ▪ Appoint focal point organizations or countries by sector. 	<ul style="list-style-type: none"> ▪ Sense that development partners could coordinate more amongst themselves to ease the burden on Government ▪ Opportunities have been missed to build on ongoing work and to aim for longer, coherent and more comprehensive change 	<ul style="list-style-type: none"> ▪ National Directorate for Aid Effectiveness to implement AIMS project ▪ New aid Strategy to clarify roles and coordination processes ▪ Development partners to improve communications

			<ul style="list-style-type: none"> ▪ Direct support by donors to NGOs for projects without any requirement for NGOs to inform, consult, or link to government can cause problems 	
Act fast... but stay engaged long enough to give success a chance	Short-term budget commitments undermine long-term engagement. Donors have reacted rapidly to crisis, but results depend on flexibility.	<ul style="list-style-type: none"> ▪ Improve rapid response capacity. ▪ Move towards longer-term development, but caution against moving towards “development as usual” too fast. 	<ul style="list-style-type: none"> ▪ Government has demonstrated its capacity to respond rapidly to a range of short term needs and potential instigators of conflict which has left development partners to focus on longer- term development ▪ Donors are still regarded as an invaluable component of national humanitarian emergency ▪ Even when donors are able to make funds available quickly, they are often earmarked for certain projects that are outside Government recovery strategies or are restricted for funding certain aspects of the government strategy 	<ul style="list-style-type: none"> ▪ Maintain rapid response capability ▪ Clarity on Future Aid Flows
Avoid pockets of exclusion	There is a high rural-urban divide in international engagement and low focus on	<ul style="list-style-type: none"> ▪ Support further analysis to understand the root causes of pockets of exclusion and develop 	<ul style="list-style-type: none"> ▪ Participants strongly suggests that the “Dili-centric” focus of 	<ul style="list-style-type: none"> ▪ The Government and development partners to investigate exclusion

	<p>the delivery of critical services outside the capital.</p>	<p>appropriate actions.</p>	<p>development efforts may continue to be contributing to societal divisions and widening the rural-urban divide</p> <ul style="list-style-type: none"> ▪ Focus and implementation of government services should be more equitable across the rural-urban divide ▪ Beginning with <i>Pakote Referendum</i> in 2009 and continuing with PDD1 and PPD2 throughout 2010 and 2011, the Government claims these initiatives have helped to pump some US\$ into rural areas while relying on the nascent private sector to implement these projects. 	<ul style="list-style-type: none"> ▪ Development partners in partnership with Government increase support for civil society organizations
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PRINCIPLE 1. TAKE CONTEXT AS THE STARTING POINT

THE CURRENT CONTEXT AND MAJOR CHANGES SINCE 2009

1. All stakeholders recognise the importance of taking context as a starting point. However, Timor-Leste, as a young nation, continues to change and evolve very quickly. Since the crisis of 2006, Timor-Leste has weathered the global financial crisis well and has experienced healthy economic growth rates exceeding 12 percent per year¹. Growth has brought relative prosperity to the streets of Dili and a sense of optimism in the air, suggesting things are moving in the right direction.

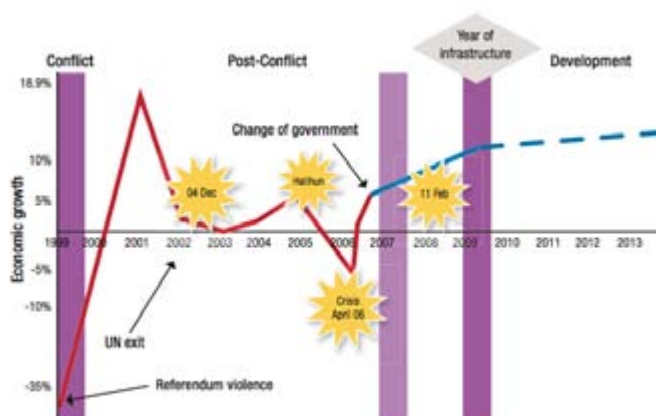
TABLE 1. ECONOMIC GROWTH 2002 - 2012

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Non-Oil GDP Growth	2.1	-0.1	4.4	6.5	-5.9	9.1	12.1	13	9.5	11.2*	11.1*

*MoF Estimates

2. Despite past bouts of unrest, the period of recent progress since 2006 has not been interrupted by new episodes of crisis and instability (see Chart 1). However, this recent relative stability has presented new challenges for both the Government and development partners alike. Is Timor-Leste about to turn the corner finally and take its place as a peaceful member of the international community?

CHART 1. TIMELINE OF SIGNIFICANT EVENTS SINCE THE 1999 REFERENDUM



3. In 2009, the year marking the 10th anniversary since Timor-Leste's referendum on independence, the Government issued a new motto: '*Goodbye Conflict, Welcome Development*', announcing its arrival as a peaceful developing nation in the ASEAN region. Indeed, Timor-Leste has recently submitted its formal application to join ASEAN during the Indonesian presidency of this regional forum, an act that will have great symbolism not only for Timor-Leste and Indonesia, but also for all the members of this Association.

4. At the same time the world faces increasing uncertainty including climate change, the adverse effects of the world economic recession and serious unrest in the Arab world with oil prices at a 27 month high². Donors are thinking about how to make aid more effective as government budgets have been

¹ IMF 2010, Public Financial Management - Performance Report, pg.7

² Brent crude oil peaked at \$119.79 per barrel and US oil prices were as high as \$103.41 on March 22 2011

squeezed by recession (see Box 1). In addition, surging food and commodity prices are again undermining efforts to tackle global poverty and hunger and threaten regional and global economic growth. Timor-Leste is not immune to this changing context and the success of the much-heralded Strategic Development Plan (SDP), likely to be launched in July 2011, depends in part upon a satisfactory global economic and geopolitical environment.

Box 1. The changing context of international development policy: Implications for Timor-Leste

It is posited by some observers that international development policy is changing. There will be many less poor countries in the future³ and new countries such as Brazil, China, India, the Arab nations in the Gulf, are breaking up the traditional aid landscape. As a result different aid ‘models’ linked to commerce may begin to emerge. Already major private foundations such as the Gates Foundation⁴ now have considerable size and influence. Private sources of capital—hedge funds, sovereign wealth funds, and other investment vehicles—are a growing source of accessible capital for poorer regions and countries. Private capital flows into Africa reached US\$55 billion last year, almost double the level of aid flows⁵.

There is likely to be less aid money around and increasing demand for value-for-money from foreign taxpayers. Timor-Leste receives approximately \$250 million in aid a year (2010). Separate to this figure, the UN Mission in Timor-Leste (UNMIT) has an approved budget of \$206 million for 2010-11. Yet significant concerns remain about the impact of much of this aid, despite a decade of efforts to address them. In late-2011 the OECD's 4th High Level Forum on Aid Effectiveness (HLF-4) will review achievements from past efforts and agree on priorities for future action to improve the impact of aid. Will there be a continuation of efforts to implement "aid effectiveness" reforms, such as those outlined in the Paris Declaration; or will there be a shift in focus to improving "value for money" from aid, through focussing on investing resources in more cost-effective ways? Are these complimentary or divergent agendas? What might be the implications for Timor-Leste?

5. It is claimed that the SDP will address the central question of how to effectively use the Petroleum Fund to promote the non-oil economy, focusing particularly on infrastructure and other public goods, including power, roads, water supply and sanitation, along with strengthened and integrated rural development, and human capital investment. The judicious combination of investments and parallel strengthening of public administration and good governance is intended to propel the country forward. However, it is a sobering fact that Timor-Leste's ranking in the Global Competitiveness Report 2010 is only 133rd out of a total of 139⁶. The International Monetary Fund (IMF) suggests that future competitiveness depends on business-enabling reforms, raising labour skills, and a slower pace of government spending to contain inflationary pressures⁷.

³ For example the UK is to stop direct aid to 16 countries, including Russia, China and Iraq. In its review of multi lateral aid DFID have also published a list of four organisations that it funds demanding they improve their performance as a matter of absolute urgency. These organisations are UNESCO, FAO, the Commonwealth Secretariat and the International Organisation for Migration. In four other cases the contribution to UK development objectives is so poor that DFID will withdraw core funding altogether. These are four UN Agencies UN-HABITAT, ILO, UNIDO and UNISDR. DFID note another four UN Agencies are only performing ‘adequately’

⁴ The Gates Foundation now distributes about \$3 billion per year, roughly the same size as the median OECD donor or roughly equal to the global aid programme of Australia

⁵ Noted by Todd Moss from the Centre for Global Development at a February 10th talk hosted by the Development Policy Centre at the Australian National University's Crawford School.

⁶ The World Economic Forum has published “The Global Competitiveness Report 2010-2011.” The report ranks 139 nations by evaluating the “twelve pillars of competitiveness” grouped into (i) basic requirements, (ii) efficiency enhancers and (iii) innovation and sophistication.

⁷ IMF 2010, Staff Report for the 2010 Article IV Consultation, prepared by Staff Representatives for the 2010 Consultation with the Democratic Republic of Timor-Leste

6. The Government’s international partners still feel that the Government is being overly ambitious in its economic outlook, which underpins much of its forward planning. The IMF notes that macroeconomic projections are not extended to the medium term and there is currently no medium-term fiscal framework that could act as an agreed framework for medium-term expenditure plans. In this regard, Government and international partners will no doubt wish to improve coordination and continue the current debate on the appropriate macroeconomic outlook.

7. Timor-Leste is on the verge of changing the perceptions and labels which have marked its reputation as a fragile state embroiled by conflict and has embarked on a journey intent on making the country a story of success. However, the temptation to overestimate the sustainability of the current period of post-conflict peace has caused some observers to claim that the Government is being too optimistic in its assessment of the current context. It remains a huge challenge to ensure that the current transition toward longer-term development and inclusive growth be sustained without a reversion to conflict.

8. Timor-Leste has made significant progress on security sector reform in recent years. All 65 IDP camps have now been closed and there is an increasing sense of optimism in the country. National priorities have shifted in the last few years to more of a development focus. The increase of money in the economy has helped reduce poverty levels from 49.9 to 41%⁸.

TABLE 2. CHANGING NATIONAL PRIORITIES (2008-2011)

2008	2009	2010	2011 ⁹
1. Public Safety & Security	1. Food Security & Agriculture	1. Infrastructure (Roads & Water)	1. Infrastructure
2. Social Protection & Solidarity	2. Rural Development	2. Food Security (Focus on Productivity)	2. Rural Development
3. Addressing the Needs of Youth	3. Human Resources Development	3. Human Resources Development	3. Accelerated Development of Human Resources
4. Employment & Income Generation	4. Social Services & Social Protection	4. Access to Justice	4. Access to Justice
5. Improving Social Service Delivery	5. Public Safety & Security	5. Social Services & Decentralized Services Delivery	5. Public Service delivery
6. Clean & Effective Government	6. Clean & Effective Government	6. Good Governance	6. Good Governance
	7. Access to Justice	7. Safety & Security	7. Public Safety and Stability

9. The Government budget has increased dramatically (see Table 3) and as expected it has been difficult for new and emerging administration systems to keep pace with the speed of change. New challenges are around the corner. The elections set to take place in Q1 and Q2 of 2012, will, it is hoped, run smoothly with the assistance of UNPOL alongside the PNTL in the maintenance of public order in the country.

TABLE 3. TIMOR-LESTE STATE BUDGETS 2002-2011

Year	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007	2008	2009	2010	2011
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⁸ siteresources.worldbank.org/INTTIMORLESTE/Resources/tlpovertynote.pdf

⁹ Based on 7 July Council of Minister’s Press Release

Actual Expenditures	60.7	70.5	70.2	93.7	170.5	97.2	483.9	603.6		
Budgeted	75.7	80.3	87.0	142.3	328.6	116.4	788.3	680.9	838.0	1,306.0

10. Increasing civil service numbers give rise to some concern as the public service has expanded rapidly since 2002, with the Government creating a large number of new temporary positions, to circumvent a UN-era cap on staffing numbers. Between 2008 and 2009 the budgeted workforce grew from 18,518 to 25,984, representing an increase of 40.32 per cent in the space of one year. This increase consists largely of temporary employees, which increased from 6,281 in 2008 to 13,455 in 2009, as compared to the marginal increase in permanent employees (up to 12,529 from 12,237). The numbers of temporary and permanent employees in 2010 has now exceeded 27,000 as per the table below.

TABLE 4. NUMBERS OF GOVERNMENT EMPLOYEES 2010

Grade	Grade A	Grade B	Grade C	Grade D	Grade E	Grade F	Grade G	Total
Permanent	54	580	1,377	4,307	5,683	1,105	728	13834
Temporary	27	170	815	3,195	5,539	1,901	2,087	13,734

11. Whilst there is not much way of knowing, there is significant risk that positions are being filled by unskilled or at least inappropriately skilled personnel. Annual payroll costs have now more than doubled since just 2008 (from around USD 33.6 million in 2008 to USD 72 million in 2010). Future expansion will further lock the Government into a spending trajectory, which may compromise its longer-term fiscal position.

12. The Government responds to these concerns by saying that it is all too aware of the possibility the country could revert back into conflict however it is eager to present a ‘positive face’ both domestically and internationally in order to break what it calls the ‘post-conflict mindset’ that many of its citizens still carry as a result of years of colonialism, occupation and cyclical post-independence conflict. The Government feels strongly that fragile states need to be encouraged by the international community and that the international community must try to share the Government’s enthusiasm for transitioning toward peace and away from conflict. The Government feels that in many post-conflict states such as Timor-Leste, the international community is unnecessarily and unhelpfully negative in the tone of its reporting and analysis which then transfers into the minds of those citizens and public officials who read such reports and are expected to address their findings and implement recommendations.

13. Shared analysis, including sector and social analysis is being conducted, but not nearly as much as is desired by all parties. There is a sense that the multiplicity and fragmentation of donor-funded projects encourage neither shared analysis nor joint approaches thus leading to duplication of efforts, and have made co-ordination even more complex (*see Principle 8: Agree on practical co-ordination mechanisms between international actors*). The situation therefore cannot be said to have improved significantly in the last two years.

14. Some development partners noted the lack of training for their staff in programming for fragile states, echoing a sentiment seen in other similar contexts.

PRIORITY ACTIONS

- **A renewed focus on results driven development solutions** - Given the focus of the 4th High Level Forum is on improving the quality of aid in a broad development context, country-led

implementation of broad-based development initiatives need to be supported by development partners. The Government anticipates a renewed focus by the international community on results and the new Strategic Development Plan will recognise this.

- **Increased focus on joint analysis and assessments** - Both the Government and development partners recognise the importance of working jointly, accordingly the Government may task a lead development partner with mapping current assessments planned for 2011-2013, the Government would then disseminate this information to all development partners and then task a lead partner to identify 2-3 areas where joint fiduciary assessments can be undertaken by a number of donors.
- **Increased dialogue on the implications of the new SDP** - As Timor-Leste embarks on a new phase of development it requires more resources, better designed to support its Strategic Development Plan, more coherent policies, and a better alignment of all actors: private, public, traditional and non-traditional donors based upon a joint understanding of the current context.

PRINCIPLE 2. DO NO HARM

15. ‘Do no harm’ essentially means that donor intervention does not undermine statebuilding processes. Whilst it is almost inconceivable that a development partner would wish its programmes to cause harm some felt that there is a need for development partners to understand better local people and the depth and breadth of local politics if their development programmes are to remain relevant and thus do no harm. As one local participant noted *“Some donors and stakeholders come from far away and do not have sufficient knowledge about local livelihoods. How can we be a partner with these stakeholders?”*

16. Some participants also highlighted the importance of key advisers having appropriate language skills and, in some cases, familiarity with civil law and other ‘local’ systems. As the Government extends its presence further into rural areas, greater attention will be needed, not just on language skills, but to ensuring any international personnel understand the sociology and political economy of the civil service at the local level – for example, on what it means to be a civil servant and the attitudes and expectations affecting those involved in local service delivery.

DIFFERENT MODELS OF GOVERNMENT SYSTEMS

17. Some participants felt it was important to discuss further the impact of the simultaneous pursuit of different governance systems that the development partners brought with them. Anglo-Saxon management systems and legal process are markedly different from Lusophone systems with Timor-Leste’s context further complicated by the Indonesian legacy.

WAGE INFLATION

18. In 2009 the Minister of Finance specifically identified the inflationary impact that competition from international agencies has had on local wages, and suggested that the international community must act more responsibly in setting wages for local staff. Rising wage inflation is still a problem in Timor-Leste and new Ministry of Finance figures below, admittedly from a small sample, tell the tale. It appears therefore that development partners did not react to one of the key recommendation from the 2009 study. As an alternative the Government has attempted to bring into government systems many national advisors, however this has brought with it a new set of problems.

TABLE 4. RISING WAGE INFLATION 2007 - 2010

Year	2007-2008	2008-2009	2009-2010
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Wage Inflation	7.45	9.02	9.57
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Source: MoF Survey

THE FUTURE USE OF TECHNICAL ADVISERS AND BUILDING CAPACITY

19. Development partners have also tended to draw talented Timorese away from the public service by paying higher salaries. This challenge was identified in the 2009 Country Report however very few, if any initiatives were taken by development partners to reduce the ‘brain drain’ of talented staff out of Government. In order to address the issue, the Government has begun hiring back these individuals on local advisor salaries. Many development partners responded with criticism saying this approach has the potential to distort wages and creates resentment amongst current public servants. Neither party seems to have considered the option of building up a Timorese consulting sector that could also build partnerships with overseas consulting companies. Such consulting companies would also create more transparent transactions between Government and in the longer term create a supply of readily available technical specialists.

20. A number of participants therefore thought it was time to think ‘outside the box’ as Timor-Leste graduates from a post-conflict to a development state. Attaining the best use of international advisers has been discussed in Timor-Leste at length in recent years and many participants suggest that it has been hard to strike the right balance especially with some advisers still undertaking line management positions. Many advisers also have experience rooted in the early transitional administration and perhaps need to adapt to new ways of working.

21. Development partners such as Australia have taken the lead recently in seeking to identify clear cases for when it is appropriate to use advisers and when it is not, based on consideration of a full range of suitable options and the costs of these options and setting clearer, more realistic objectives for adviser positions and identifying expected results. This has resulted in improved use of advisers although there is still room for a more consistent approach across government.

22. It has been noted that existing training and development strategies in administration and management have usually been short term, ministry specific, not related to job competencies and often funded or directed by development partners¹⁰. The development partners would add that budget allocation for training and development activities varies across ministries and usually target just the higher levels of staff. Participants felt there was significant room to improve capacity building. One way is to improve ministries procurement of appropriate training programmes by strengthening human resource training through the newly created Human Capital Development fund.

DILEMMAS FOR DONORS

23. Development partners are often faced with the difficult task of reconciling their Government’s strategic objectives in country with statebuilding and development objectives. Understanding these strategic dilemmas is arguably the first step in undertaking an assessment of the impact of donor intervention on statebuilding¹¹. Interventions that may cause harm fall into a number of broad areas:

- Political processes and political settlements
- State-society relations
- State legitimacy
- Social expectations of the state

¹⁰ CSC Training and Development Framework 2010

¹¹ OECD 2010, Do No Harm: International Support for Statebuilding, OECD, Paris

24. Both the Government and development partners have an opportunity to open a frank discussion on a number of these issues.

PRIORITY ACTIONS

- **Development partners improve induction of their staff** – development partners should strive to improve the understanding of new international personnel involved in development projects through more extensive inductions program and, in closer consultation with Government and be more careful partnering with counterparts. The Government should assist with this in the spirit of partnership. Local NGOs can also provide targeted support.
- **Development partners need to conduct credible research into the impacts of the international community on the local economy** - consolidating existing research into issues such as local wage inflation and specifically the impacts of the drawdown of aid such as from the departure of UNMIT and other reductions in aid to minimise any adverse economic impacts
- **Develop Government policy on the use of consultants in the civil service** - to ensure that the Government of Timor-Leste (GoTL) working closely with development partners gets the greatest possible benefit from consultants funded by donors as well as those funded through the state budget

PRINCIPLE 3. FOCUS ON STATEBUILDING AS THE CENTRAL OBJECTIVE

25. The consultations that took place as part of the 1st International Dialogue on Peacebuilding and Statebuilding (April 2010) confirmed amongst all participants that the peacebuilding and statebuilding agenda in Timor-Leste should be considered critical to lasting peace and development. The event was seen by many to be an important occasion for all stakeholders to take stock of Timor-Leste's development progress and challenges to date. The event also helped to direct Government focus toward the twin aims of peacebuilding and statebuilding as critical, crosscutting processes that should be integrated into whole-of-government development approaches.

26. The Dialogue also recognized that the evolution of Timor-Leste's relationship with society must maintain a place at the heart of Timor-Leste's statebuilding agenda. For the most part, survey participants agreed that international actors continue to provide support to the Government's efforts to maintain stability and have made substantial investments in strengthening state institutions and human capacity.

27. Very few (if any) respondents directly challenged development partner approaches to integrating statebuilding into their development agendas and strategies. What some respondents did emphasize was for development partners to do better in the provision of their assistance to ensure that it helped developed the core institutions of state in an *equitable and balanced manner*. Some participants noted that if statebuilding assistance is not provided in a manner that supports the balanced strengthening of State institutions, their assistance might end up causing harm with a very strong executive and relatively weaker legislature.

STATEBUILDING AND SERVICE DELIVERY

28. The Fragile States Principles Survey in 2009 noted that international actors were supporting Government efforts to build an effective and accountable state, emphasising responsiveness to the needs of citizens, and strengthening the focus of line ministries on improving service delivery. Participants then and now emphasised the relationship between capacity and legitimacy, with capacity to deliver services, in particular, highlighted as a source of legitimacy over time.

29. All stakeholders in 2011 noted that access to service delivery still needs to improve. Whilst participants recognised it was a key duty of the State, unfortunately the State still appears to be hampered in meeting expectations due to the lack of human resources capacity. Criticism centres not so much on the types of services being provided now or in the future, but the Government's capacity to provide them. This concern appears to be relevant to all parts of Timor-Leste's society with many participants acknowledging that this was not a challenge unique to Government and there were deficiencies in capacity at many levels.

30. Service delivery will be impacted by decentralisation. This will require development partners to work closely with the Government as it refines and implements its decentralization agenda. As mentioned already, experience elsewhere strongly suggests that decentralization alone does not automatically lead to more responsive and effective service delivery, and can of itself lead to increased risk of conflict. There is a need for Government to engage further with various stakeholders, in particular those outside of Dili, in order to gain a better understanding of the needs and wishes of local people in regards to how they expect the Government to engage with them, what services they expect and what services the Government is currently able to provide

31. Participants noted that the current Timorese leadership continues to demonstrate progress in maintaining security and is developing the confidence to manage potential crises related to violent conflict and anti-social behaviour. However, capacity challenges regarding delivering services and responding to social needs in a balanced way could be seen as a new or brewing crisis to be responded to as such.

32. Some participants also note that there is a gap in knowledge as to just what a Ministry is there to do, how a Ministry receives and processes the public's requests for services and how they go about making the life of individuals better. A disconnect exists between the good intentions of all stakeholders and what the Government and development partners are doing to make it a reality. This gap between the public's expectations and the Government's capacity to provide is one that must be addressed.

STATEBUILDING IN DETAIL

33. There is a general feeling therefore that both the Government and the development partners need to be more focused on the detail. There are too many studies targeted only at the strategic level. One influential participant noted, "*The Government is too focused at the macro level. But you don't just manage with Ministers and at that level. You need to use middle managers and lower level staff to look at micro issues*". Of particular note was a comment that while leadership at the highest level was often strong, the lack of instructions filtering down throughout Government bureaucracies often hampered progress. This lack of capacity at middle management levels caused some Ministries to restrict decision-making and policy implementation to the highest levels.

34. The Government responds to such concerns by highlighting the new Human Capital Development Fund. With an initial allocation of US\$25 million, this multi-annual Special Fund is aimed at developing human capital by up-scaling Timorese skills through professional training, scholarships, technical training, and other training as necessary.

STATEBUILDING IS NOT JUST ABOUT THE EXECUTIVE

35. Some participants felt strongly that development partners just want to deal with the Government and are too focused on establishing a strong executive. Some note that Parliament was and is neglected, as demonstrated in Table 5. There is a sense that the development partners could and should strike a better balance and focus on the competencies of all institutions in Timor-Leste, including civil society and the media. Accountability remains an issue which some participants felt had not been addressed adequately

TABLE 5. DEVELOPMENT ASSISTANCE SUPPORT TO PARLIAMENT

Year	ODA to National Parliament	Total ODA	% of total ODA to National Parliament
2008	4,200,000	211,500,000	1.99%
2009	4,523,000	242,100,000	1.87%
2010	4,662,000	256,819,000	1.82%

STEERING THE ADMINISTRATION IN THE FUTURE

36. Timor-Leste is a young state and the institutional framework of government is still evolving. Some development partners have noted that it remains unclear who is responsible for oversight of public administration development and reform in its broad sense. Agency mandates remain unclear and at times overlap and there is limited whole-of-government co-ordination outside the Council of Ministers. This translates to limited overarching strategic direction for system-wide reform of the public sector.

DECENTRALISATION

37. Much uncertainty surrounds the issue of decentralisation. The prospect of decentralisation at some point in the near future means that much responsibility for the organisation and delivery of services could soon shift to as-yet-undetermined sub-national levels of government. It might reasonably be concluded that the Government and opposition have not yet reached agreement with citizens on what sort of government Timor-Leste wants at the sub-national level. This discussion will be affected in turn by the proposals for rapid economic growth as set out in the SDP. The lack of clarity makes it difficult for development partners to support appropriate programmes.

38. Conversely some criticism has been voiced by other stakeholders that one reason why decentralization efforts have been slow to gain traction is due to the limited support provided by development partners in supporting understanding the various decentralization models. Whatever model is eventually adopted, many survey participants urged investment in the local economy, supporting development of local products, local banking facilities and promoting community services

EMPHASISING TIMORESE IDENTITY AND WAYS OF DOING THINGS

39. A number of participants mentioned the importance of understanding Timorese identity. This included the need for clarity concerning past histories of resistance and occupation, as well as Timorese aspirations for a ‘state of their own’. However, Timorese are the first to admit that exactly what sort of state is desired is still under discussion. A group of stakeholders noted “...we are still at the beginning of our statehood and still trying to nation build our own country with our own values and culture and aspirations and our own understanding of what our needs are and how best to deliver them”.

40. Whilst there is an acknowledgement of change coming rapidly, the implications for Timor-Leste identity in the regional and global economy were not clear. Thus the ‘statebuilding project’ is not entirely clear. Participant suggested further national dialogue could help bridge the strong political divisions emerging around this theme.

“I think the international community have their own agendas. They have their own models, which they want us to implement, but if we implement these models then the international community will have a deeper hold on Timor-Leste – but I guess this is normal in the world we live in. Instead I think we should encourage competition among donors, as well as coordination, but with the objective of raising standards”

Survey Participant

INCREASING POLITICAL DIALOGUE ON STATEBUILDING ISSUES

41. At the International Dialogue on Peacebuilding and Statebuilding, Timor-Leste noted that progress on statebuilding and peacebuilding has been constrained by the fact that political actors have been unable to agree on statebuilding and peacebuilding goals for the country. Political parties operate on allegiance and historical affiliation rather than political platforms, ideology and policies, which define parties in modernized democracies. There is thus a need to create a more inclusive political dialogue, so that political parties can strengthen their democratic structures and better engage their constituencies in lively discussion as to the country's future priorities and vision. While there has been recent progress toward political dialogue mechanisms supported by both the Church and civil society, some feel that this dialogue is targeted at only the highest level political elite when in fact it is those two and three levels below, outside Dili that may trigger instability- in particular in the lead up to elections.

42. Future strategies for the further definition of the evolving Timor-Leste state, development and reform of public administration and institutional frameworks can benefit from discussions that utilise the literature and international experience of policy assistance and how to translate knowledge into policy relevant to Timor-Leste. This does not simply mean the dissemination of international lessons learnt to relevant stakeholders, but rather may mean development partners support Timor-Leste in defining the right sort of model for longer, coherent and more comprehensive theories of change processes and long term strategic planning by the government and development partners.

43. Government must improve its relationship with NGOs outside of development partners' involvement. This is a long-term investment in state-society relations.

PRIORITY ACTIONS

- **Strengthen all the institutions of the State** - Development partners need to focus greater attention on strengthening the roles of Parliament, civil society and the media to serve as the checks and balances in the system. Improved support to Parliament, civil society and development of the media can help support dialogue on statebuilding issues
- **Increase political dialogue around statebuilding issues** – The development partners can support the Government and other stakeholders in facilitating dialogue on statebuilding and nationbuilding through the use of improved communications, public opinion surveys, appropriate research, civic education, and amplifying citizens voices and discussions through local and national meetings.

PRINCIPLE 4. PRIORITISE PREVENTION

RISKS TO INSTABILITY

44. The government intends to work closely with UNMIT at a high level to study the implications of the 'post-UNMIT' period, i.e. the period after the 2012 elections when UNPOL may start to withdraw. The withdrawal of the United Nations Mission could potentially have a serious de-stabilising influence. Reports discussing potential impacts of the withdrawal of the UN mission should be shared with relevant State and civil society actors in order to begin designing plans for policies and specific projects to mitigate some of the direct impacts of the UN departure, particularly relating to employment and security sector support.

45. Discussions should begin on the process passing on the responsibilities of certain units within UNMIT that are leaving or downsizing. Option includes entering into partnerships with actors who are in a

position to continue necessary work. Other risks to stability are set out in Table 6 below, based upon actual responses from stakeholders.

TABLE 6. RISK TO STABILITY MATRIX

Risk	Potential Impact on Stability	Likelihood
As the UN Mission comes closer to an end there will be an increase in minor conflicts. This will have a big impact not just for Timorese working with the UN but also others employed through their projects.	If certain parties see the UN leaving they may be tempted to disrupt Timor	Likely – the UN Transition Strategy will address this
Increasing food and commodity prices	One concrete example can be seen in rice prices. One concrete example can be seen in rice prices. In some sub-districts Ministry of Tourism, Commerce and Industry subsidised rice prices has risen to US\$28 in February 2011 ¹² and continues to rise. Many who cannot afford these prices have turned to other staples but these are limited in supply especially in areas experiencing unseasonal weather patterns and flooding. There have been demonstrations in the past over rising food prices, which could reoccur.	Possible
Unbalanced development	Development in rural areas has taken place but many of the projects initiated by Government and donors are only short term. They might start and run for a few years but then they leave and impact is lost. This can create instability in rural areas. If we can't make sure everyone develops together we may see a risk in conflict visiting once again. In terms of income access, there are totally different classes being created – even in Dili. A lack of equitable access mean that some people – even those with a small income have a	High – if no action taken by the government

¹² NGO Belun and Columbia University's Center for International Conflict Resolution, Early Warning and Early Response (EWER) program monitoring data, March 2011

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	totally different quality of life. When you have a situation where people count gains based on whether they can still buy a bag of rice – there is a problem.	
Immunity – from prosecution from bad construction, from corruption, not paying for past misdemeanours	Others will see that they can profit from the same behaviour	Strong if no action taken
Religious Conflict – rise of evangelical churches	Local Impacts and high protection concerns for members of minority religious groups	High – these conflicts have already been occurring in a number of sub-districts particularly during the last two years
Youth and Martial Arts Group involvement in Violence	While involvement of youth and martial arts group members in violence appeared to be reducing during the second half of 2010, increased numbers of incidents over the Christmas period ¹³ . This indicates that youth are indeed vulnerable to be mobilised during political campaigns	Medium
Elections	Potentially could cause instability all over Timor	Very high if security is not maintained
Unemployment ex-UN staff	A large number of young people seeking out employment with access to opportunity may cause resentment toward Government (who many assume will absorb ex-UN staff) or other Int'l institutions.	Low - The UN has identified that much of its most capacitated staff have skills and ability unsuited to local job markets. There are preliminary plans for a large training scheme to address this skills gap to assist local staff acquire work after the UN withdraws. However this may be insufficient.
Youth Unemployment	Although youth unemployment has been on the decline, with an increasing services sector (6% of economy according to Budget Book 1 2011) much of this is based upon a non-sustainable, expatriate clientele. In addition, there has been a decrease in the number of those engaged in subsistence agriculture however this is likely linked to more people moving to capital centres which may place additional	Medium. There are many programs being targeted to out of work and at risk youth however many worry that these are insufficient. There is a considerable amount of time and effort targeting children and education quality however for those who have already left school or those attending tertiary institutions within Timor-Leste, there exists a large gap between what they expect to achieve and

¹³ NGO Belun and Columbia University's Center for International Conflict Resolution, Early Warning and Early Response (EWER) program monitoring data, March 2011

	pressure on local communities and Government to find employment solutions for these groups.	the options available to them and reality. This is a destabilizing factor that is not being addressed.
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EARLY WARNING AND EARLY RESPONSE SYSTEMS

46. In light of the critical stage in Timor-Leste's progress towards moving towards stability and a focus on broader development objectives, Early Warning and Early Response (EWER) initiatives are crucial in monitoring the changeable conditions and factors that could contribute towards potential instability, monitoring those risks and actual events depicted above. Response actions to identified issues can then be planned in a manner appropriate to the current resources, expertise and roles of various local and national actors. Referral pathways include linking to and strengthening traditional and community processes and structures for managing conflict as well as aligning to relevant formal security practices and judicial responsibilities.

47. A plethora of peacebuilding and security approaches can all contribute toward a diverse and multi-faceted approach to responding to the complex issues that characterise the Timorese context. Early Warning and Early Response systems, however, provide a platform to coordinate these activities by providing data on target areas and themes where interventions are most needed as well as facilitating pathways for mobilising response to identified needs through networks at the national and local levels.

48. Actors involved in peace and security initiatives should consider building upon existing Early Warning structures in order to avoid the duplication of efforts and resources. The Early Warning, Early Response (EWER) system conducted by NGO Belun and Columbia University's Center for International Conflict Resolution (CICR) has established extensive monitoring presence and community Conflict Prevention and Response Networks at the sub-district level which are designed to coordinate with all stakeholders in providing effective warning and response. Rather than create parallel monitoring structures, other actors should request to receive regular updates from the EWER system and monitoring data specific to their needs. In the medium to longer term these systems supported by development partners can become locally owned and managed.

49. In order to ensure effective early warning and prevention of the escalation of conflict and violence it is important to outline clear strategies for response to incidents and trends at the national level, linking into contingency planning processes for protection of civilians in the case of crisis. Engaging appropriate actors to provide immediate response to criminal incidents includes engaging relevant formal security practices and judicial responsibilities. Response to trends and threats at the local level should however be community-driven processes where local actors design appropriate response activities that have a chance for longevity given their particular context. State and civil society actors can integrate their local-level initiatives to support response plans designed by the existing Conflict Prevention and Response Networks coached in the interim period by the EWER system. This will provide monitoring of longer-term impacts of one-off peacebuilding initiatives, recommending follow-up activities where needed. Integrated network responses consolidate traditional and community processes and structures for analysing and responding to conflict, ensuring that initiatives are complementary and mutually reinforcing.

50. Increased dialogue particularly between development partners working in promoting peace and security through multiple approaches, as well as increased dialogue with state and civil society actors, would improve opportunities for initiatives to complement one another in working towards a more strategic approach to early warning and response. This should ensure that early warning can be effectively assessed, delivered and heard; that communities are supported in increasing preparedness for conflict; and referral pathways are embedded that are able to trigger the most appropriate actors to respond to prevent

the escalation of violence at local or national levels.

THE NEED FOR IMPROVED COORDINATION

51. While the final stages of the National Recovery Strategy drew to a conclusion, the State has invested in building specific institutions for conflict prevention and peacebuilding alongside work in security sector development. The State has also invested considerable time and effort, sometimes controversially, in training up its police and security organs to work together. Against the advice of some the merger of the security and defence institutions within one Ministry was as symbolic as it was pragmatic. The government intended that with this reform the institutional divisions that had once been left to fester were to be eliminated through oversight and good management. The first reforms were to promotion regimes ensuring merit and ability was restored as key criteria for career advancement.

52. In the wake of this reform, as early as January 2008, UNMIT announced a decrease in crime and sporadic acts of violence. The UN Acting Police Commissioner remarked that the improvements were a reflection of the stability of the new Government and credited local forces with the restoration of peace. The first real test of these reforms was in response to the 2008 attempted assassinations of the Prime Minister and President, H.E. José Ramos-Horta. The formation of an exclusively Timorese military and police operation was tasked with ensuring stability in Operation Halibur.

53. However, this example of the Government prioritizing prevention by bringing the PNTL and F-DTL closer together was possibly poorly understood by development partners or perhaps the strategy underpinning the reform was poorly communicated. Many development partners were critical of the move, describing the strategy as typical of many post-conflict countries where ex-guerrilla leaders turned heads of government seek to manipulate State security in the pursuit of personal or overtly political objectives. Improved dialogue around key issues such as this is imperative to promote joint understanding of the challenges faced

54. As a result of the large number of external stakeholders now supporting emergency response, humanitarian assistance, disaster relief and peacebuilding, the coordination responsibilities for Government have increased significantly. The impression on the Government side is that development partners are not coordinating their efforts with the result that there is some duplicated effort. This, coupled with the small number of Government staff working in these areas has caused difficulties for Government in absorbing the additional workloads associated with donor project implementation.

PRIORITY ACTIONS

- **Consolidate support and strategy for prevention** - A clear, integrated long-term strategy should be developed between relevant state and civil society actors for analysis of conflict trends and the development of effective contingency strategies to ensure appropriate responses. Development partners need to ally themselves to the strategy and support it for the long term. The immediate focus is to prepare effective strategies to deter the use of violence for mobilising political interests through the next electoral period.
- **Government and development partners to recommit to specific policies that help reduce the potential for conflict** – Increase investment in rural development, including infrastructure, private enterprise, employment and livelihoods. Create opportunities for the young in particular, review current educational and employment support for those both in local university courses who have very high expectations and will compete with capable, English speaking local staff exiting UNMIT in the next 24 months.

PRINCIPLE 5. RECOGNISE THE LINKS BETWEEN POLITICAL, SECURITY AND DEVELOPMENT OBJECTIVES

55. The survey reported that nearly all development partners claim to address the linkages between political, security and development objectives in their country strategies and that these are shared with other ministries or agencies within their governments. For example, development partners such as Australia sharing their strategy with their Government agencies covering Security, Defence, Police, Foreign Affairs Trade, Health, Immigration and Treasury. However, there was a lack of consistency in how these linkages were researched, assessed, shared and discussed, and incorporated into development partner policy. In reality it seems that most cooperation on the integrations of these objectives takes place at project level

56. The survey suggested that security and development are indeed integrated and reflected in the National Priorities Process which continues to help ensure that the political, diplomatic, security, defence and development actors work together to ensure the sustainability of peace. Coordination among the three has improved considerably through the National Priorities Process. The Government has sought to increase co-operation and co-ordination within these various sectors with the Working Group on Public Safety and Security including representatives of both national and international security institutions, as well as various development partners with programs or interest in the security sector. The work of the group coupled with the current climate of relative peace has contributed to the gradual downgrading of safety and security though it remains a government priority.

57. The Government recognises two of the most pressing priorities continue to be security reform and economic development. The Government also recognises the links to social justice, welfare and service delivery, most particularly for rural populations, and the potential negative impact of poverty on peace and stability.

58. Whilst there is undoubtedly progress in many aspects of security and the professionalization of the PNTL, outside Dili many informal traditional community systems still maintain order. Newer community style policing initiatives have been welcomed by civil society, but the impression is that there is much more to be done by the PNTL to develop policing techniques other than force. In the short term the focus is on ensuring elections do not become the catalyst for gains in politics, security and development to falter.

59. Small scale violent conflict continues to take place however more often these conflicts are described as being intra-communal or familial, or related to issues such as land disputes or disputes over resources rather than between martial arts groups (MAG) or organized crime related. This could be recognized as an indication of success regarding UNPOL and PNTL collaboration given that there has been no reported increase in crimes reported in districts handed over to local control. However, because violent conflict in Dili is often linked to earlier conflict at the district level, there is still a concern that these small, localized, acts of violence could end up being played out in the suburbs of Dili.¹⁴

60. In the longer term, continued stability will be crucial to encourage growth in domestic, private and foreign investment, development partners can support implementation of the SDP by staying engaged in supporting security and stability to give the best chance for the growth policies of Timor-Leste to take hold.

61. Some government participants felt that development partners needed to be more honest about the subjective factors in policy-making. Historical ties, security concerns and trade interests all play a part in development aid and it was better for all concerned that an honest debate took place at the strategic level.

¹⁴ Urban Violence in an Urban Village, A Case Study of Dili, Timor-Leste, Geneva Declaration Working Paper

PRIORITY ACTIONS

- **Development partners to demonstrate greater clarity on how they recognize the links between political, security and development objectives** - A renewed focus at the strategic level taking advantage of good project level cooperation.
- **Increased government focus on accountability** - At all levels of government but particularly within the security sector. Development partners can help to reinforce links between disciplinary mechanisms within the Security Sector, the Provedor for Human Rights and Justice and other judicial procedures.

PRINCIPLE 6: PROMOTE NON-DISCRIMINATION AS A BASIS FOR INCLUSIVE AND STABLE SOCIETIES

62. The survey revealed that many participants still felt that the emphasis of development partners was skewed towards setting up the institutions of state and that a better balance was necessary. As noted elsewhere in this survey report, the needs of youth, women, children, unemployed, the rural poor and others all require addressing. Survey participants suggested that the Government of Timor-Leste should, with the support of the international community, help amplify the voice of citizens in development planning and improve their responsiveness to those voices. With the demise of the National Priorities Process new ways of engagement will need to be identified.

63. In the area of youth, current Government and international support is still largely focused on primary education and there is a sense that investment in the tertiary education sector, polytechnics and universities would help in the longer term to do more in addressing unemployment. Capacity development to manage public services is a frequently mentioned problem but there are no courses in the university in public administration studies for example.

64. The Government has taken steps toward introducing ‘social justice policies’ to provide pensions to the vulnerable, the disabled and the elderly. This has been a cornerstone of the government’s social contract commitments. However, a more comprehensive strategy to develop a longer term and sustainable social security system is required.

65. The development partners claim through a variety of programmes that they address non-discrimination through many mechanisms including access to basic services, access to micro credit, human rights and empowerment projects, poverty reduction and social exclusion. However, the impression is one of an uncoordinated strategy to support a miscellaneous array of non state actors

PRIORITY ACTIONS

- **Government and development partners to to avoid the continuing concentration of resources and efforts on Dili and seek greater unity of effort to address discrimination**
- **Government and development partners to systematise and deepen the dialogue with civil society** – This should include representatives from women and youth groups and the private sector to discuss how t the benefits of future development can be shared more equitably.

PRINCIPLE 7. ALIGN WITH LOCAL PRIORITIES IN DIFFERENT WAYS IN DIFFERENT CONTEXTS

66. The Government has stated publically that it plans to release the country's first long term Strategic Development Plan (SDP) in July 2011. The SDP will present all stakeholders with the first multi-year planning document since emerging from the crisis of 2006. While this development is a welcome one, there was general consensus that the Government had taken a long time to produce the plan. The Government has responded by saying that throughout Timor-Leste's short history and based on experiences in other fragile states, attempts to devote precious resources (both financial and human) to developing medium-long planning frameworks has resulted in a premature focus away from addressing short term sources of conflict toward longer term development¹⁵. The Government remains confident it has the timing right.

67. In 2007, with so many challenges overlaid upon a contracting economy the Government stated that medium-long term strategic planning processes must wait until the immediate conflict instigators could be dealt with. Drawing upon lessons learned during the previous Government whereby significant time and effort was spent on devising a multi-year sectoral plan only to have it rendered irrelevant with the outbreak of conflict, the Government felt that the country would be best served through a process that would allow them to first identify and then address those challenges considered most urgent and with the most destabilizing potential before longer term planning could commence.¹⁶

Box 2. The National Priorities Process 2008-2011

The National Priorities Process currently serves as Timor-Leste's primary annual strategic planning mechanism. Priorities are currently determined on an annual basis allowing them to reflect the rapidly evolving and increasingly secure national context. The priorities have shifted from year to year however there has remained a clear focus on establishing security, agricultural and rural development, and human resources development and in more recent years, infrastructure (see Table 2 for a list of annual priorities).

68. While both Government and the international community agree, that at least in its initial years, the National Priorities Process offered a successful mechanism upon which to bridge the intervening years between conflict and the release of a longer-term strategy, a key challenge identified by the Ministry of Finance National Directorate for Aid Effectiveness (NDAE), and previously noted in 2009, is that given Timor-Leste's relatively rapid transition from conflict to stability, there is now an increased need for longer term development activities extending over a three to five year time frame. This shift, increasingly reflected in National Priority matrices has left some development partners unintentionally out of step with Government priorities. While it is expected that this issue will be remedied once the SDP is released, Timor-Leste's experiences does offer a lesson for other countries seeking to adopt similar approaches to strategic planning coming out of conflict.

69. Development partners say that it will be much easier to align with Government priorities once the basic plan is in place. However, as noted in the comments on 'Principle 1: Take context as the starting point, there is still some discussions required to reach agreement and common understanding of the plan's key political, economic and social planning assumptions. Development partners can enhance their engagement with this State strategic planning process by encouraging reference to evidence-based research on appropriate development strategies and practices.

¹⁵ Coming into power in 2007, both tangible and intangible reminders of the 2006 crisis still existed with some 65 IDP camps still dotted the city and surrounding areas, with some 400 ex-F-FDTL known as 'the Petitioners' campaigning for reintegration back into the military and with Major Alfredo Reinado and rebel associates threatening law and order and martial arts gangs made up of disaffected youth engaging in random acts of violence and civil disobedience. These issues presented immediate, short-term threats to public safety and security.

¹⁶ 2010 TLDPM Background Paper -

<http://www.mof.gov.tl/en/ae/TLDPM/TLDPM2010/2010TLDPMBBackgroundDocumentFINAL.pdf>

USE OF COUNTRY SYSTEMS

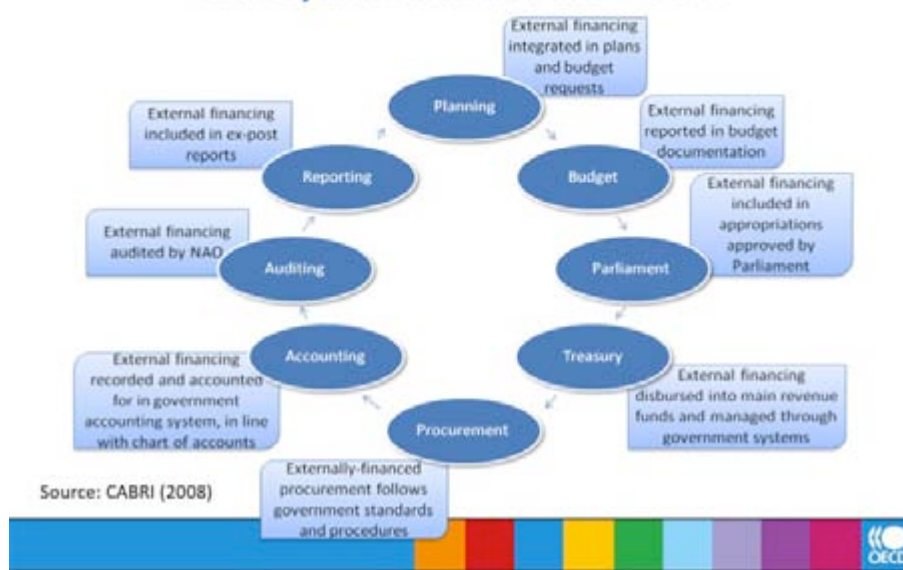
70. There is currently no General Budget Support (GBS) provided to Timor-Leste. Since Timor-Leste's oil and gas revenue began to flow in the mid-2000s, development partners' assistance has been targeted directly to a variety of sectors. The use of country systems (e.g. public financial management and procurement) has also been relatively limited and continues to be limited by perceived capacity constraints and associated limited capacity to absorb substantial aid funds. Much of this view is in turn based upon relatively low budget execution capacity at the Ministerial level.

71. The situation with procurement is regarded as particularly problematic (see Box 3). Donor project budgets tend not to allow for local procurement, contracting, financial management or implementation by national staff based on perceived lack of capacity. Development partners take the view that procurement performance leaves significant room for improvement¹⁷.

72. The Government would like to achieve a common understanding with its development partners on the use of country systems as adapted to the specific Timor-Leste country context. The figure below depicts the various country system components of the entire budget cycle. A number of donors have noted that they are able to use different components of the country system, the UN noted they could use all 8 components of the PFM system; the EU can use 3; the World Bank can use 6.

CHART 2. COUNTRY SYSTEM COMPONENTS

What are the different components of the PFM system that aid can "use"?



73. Strengthening and increasing the use of country systems in collaboration with donors remains a critical element of the Government's efforts to become ever more capable of managing and leading Timor-Leste's development. In particular the Governments seeks to work with its development partners to:

¹⁷ There is a need for development partners to be clearer about what aspects of Timor-Leste's procurement performance must be improved. The current situation is one where there is pent-up frustration on all sides, a deterioration in dialogue and resulting slow progress in terms of systems reform. The SDP may offer an opportunity to have improved dialogue on a long term plan to improve government procurement

- Identify current opportunities and constraints in the strengthening and using of country systems;
- Define joint actionable Government-Development Partner recommendations for achieving progress;
- Ensure high-level support and momentum from Development Partner headquarters for this initiative;
- Launch concrete steps towards fulfilling those recommendations, including perhaps joint Government and multi-donor fiduciary risk assessments; and action plans for harmonizing donor audits and pre-award assessment on the Government’s Supreme Audit Institution practices.

74. A few development partners have expressed a willingness to start programme preparations that will identify the possible amounts under consideration, the purpose of support and the conditions necessary for implementing a GBS programme. Generally speaking, most donors apply similar eligibility criteria. This includes consideration of the national policy planning framework, economic strategy and agreement on the macroeconomic framework, and satisfactory public finance management. Eventual agreement on support tends to include performance criteria and indicators for disbursement of support, performance indicators for government and some measure of coordination between donors.

75. Because the National Priorities (NPs) are fairly broad, almost every donor has claimed they are aligned with the NPs. Given development partner planning timeframes it is probably fair to say that there is nominal alignment with the National Priorities to the degree that could be expected. However, the IMF has noted in August 2010 *“While donors provide estimates of commitments and expenditures for the budget, there is no joint evaluation and approval of state and donor funded expenditure, and in-year reporting by the government on donor funded expenditure is lacking. Donor funded expenditure is not reported on in the financial statements.”*¹⁸.

Box 3. Public Procurement in Timor-Leste

The Organization for Economic Co-operation and Development (OECD) observes that “good public procurement systems are central to the effectiveness of expenditure” and that public procurement is a fundamental and integrated part of the governance and public financial management system in a country. In Timor-Leste public procurement totals 70% of all government expenditure and it is the mechanism by which all government projects are delivered. Public procurement currently amounts to over US\$550 million worth of a variety of goods, works and services with over 2,500 separate purchases.

Public procurement occurs at different government levels: at national and local levels. At national level, all ministries, secretaries of state, commissions and agencies are actively involved in procurement with some ministries expending approximately 90% of their budget through public procurement. While national level procurement is bigger in terms of value per contract, local government contracting is significant in terms of the number of procurement activities and their impact. The new Infrastructure and Human Capital Funds recently approved by the Council of Ministers, taken together with the exigencies of decentralisation will demand improved public procurement systems and practices, better regulations, development of the key procurement institutions, capacity building, operational support and on-the-job training for local staff. The need has never been greater for the public procurement system to be staffed by a professional cadre of well-trained and experienced procurement professionals.

The dependency of many private sector companies on public sector business is disproportionately greater in Timor-Leste, where the state is the largest economic actor, and where the private sector is relatively underdeveloped. Many fragile and conflict affected countries experience this juxtaposition of high volumes of expenditure and the presence of dependent private sector contractors and find that this creates a ready

¹⁸ IMF 2010, op.cit. pg.9

market for corruption in public procurement. Generally, the less capacity a country has to prevent, detect, and punish corruption - through checks and balances, controls, and monitoring, and enforcement of laws and regulations more broadly - the greater the likelihood of corruption. In Asia, the Asian Development Bank has noted that corrupt public procurement has led several countries to pay 20 to 100 percent more for goods and services than they would have had to otherwise. Corruption can exacerbate fragility.

In January/February 2010, the Asia Foundation conducted an Assessment of Service Quality based on client perceptions. The assessment was designed as a periodic feedback mechanism to augment the Ministry of Finance existing service improvement processes and measures (The Asia Foundation, Ministry of Finance Service Quality Perceptions Survey, 25 March 2010 refers). 45% of respondents rated satisfaction with the Government procurement system at 'fair' or 'poor'.

76. A key challenge that the SDP will pose to donors will be their ability to sufficiently coordinate amongst themselves so that they can agree on a relatively robust division of labour. Given the nature of the SDP and the fact that it will deal with a number of key development sectors, it will be important that donors consider in which areas their competitive/comparative advantage exists and seek to focus their assistance in support of these areas.

77. Given the broad scope of the SDP, there is a risk that donors will seek to demonstrate alignment by engaging in a number of areas prioritized by the SDP. The Government's investment in the SDP, funded by the natural resource wealth at its disposal at least in the agreed upon short term, will be best served by its development partners if agreement can be struck on where donors divide up their support.

PRIORITY ACTIONS

- **Development partners to consider increasing use of country systems** – increase use of one or more components of country systems (irrespective of aid modality) to, at a minimum, enable more transparency of aid flows, aid on budget, and aid on plan. The joint objective is to improve capacity of country systems with the aim of them being fully capable before Middle Income Status is reached. Both the DPs and the Government wish to improve the quality of diverse partnerships, under the leadership of the host country and strengthen the capacity to work together in mutual respect and accountability. In the spirit of mutual accountability the Government can:
 - Task a lead donor to assemble recent assessments on aspects of country systems and institutional capacity building to share with other donors and government
 - Task a lead donor to map the minimum number of country systems components that 2-3 major donors can use
 - Consider General Budget Support - Government and development partners to assess options to move over time towards budget support (including agreeing necessary measures to strengthen underlying systems e.g. procurement, audit, supervision, reporting).
- **Alignment of development partners programmes with the SDP** - The Government needs to adopt its new Strategic Development Plan and Development partners move to full alignment adjusting programme design as necessary. Further discussions with government should take place on future support for those existing and emerging priorities not covered by the SDP.

PRINCIPLE 8. AGREE ON PRACTICAL CO-ORDINATION MECHANISMS

DEVELOPMENT PARTNER COORDINATION

78. The current framework for coordination is set out in Chart 2 below. This chart focuses mainly on how development partners fit into the government system. Interestingly, a number of development partners

claimed they were unhappy with donor coordination amongst themselves. Various reasons were cited:

- Some donors historically wanted to be seen to be everywhere
- Some appear to have no wish to coordinate
- Some have low familiarity with aid coordination and effectiveness issues
- The GoTL had not signed off its Aid Policy
- No aid management platform in place to date
- Poor coordination above the sector level

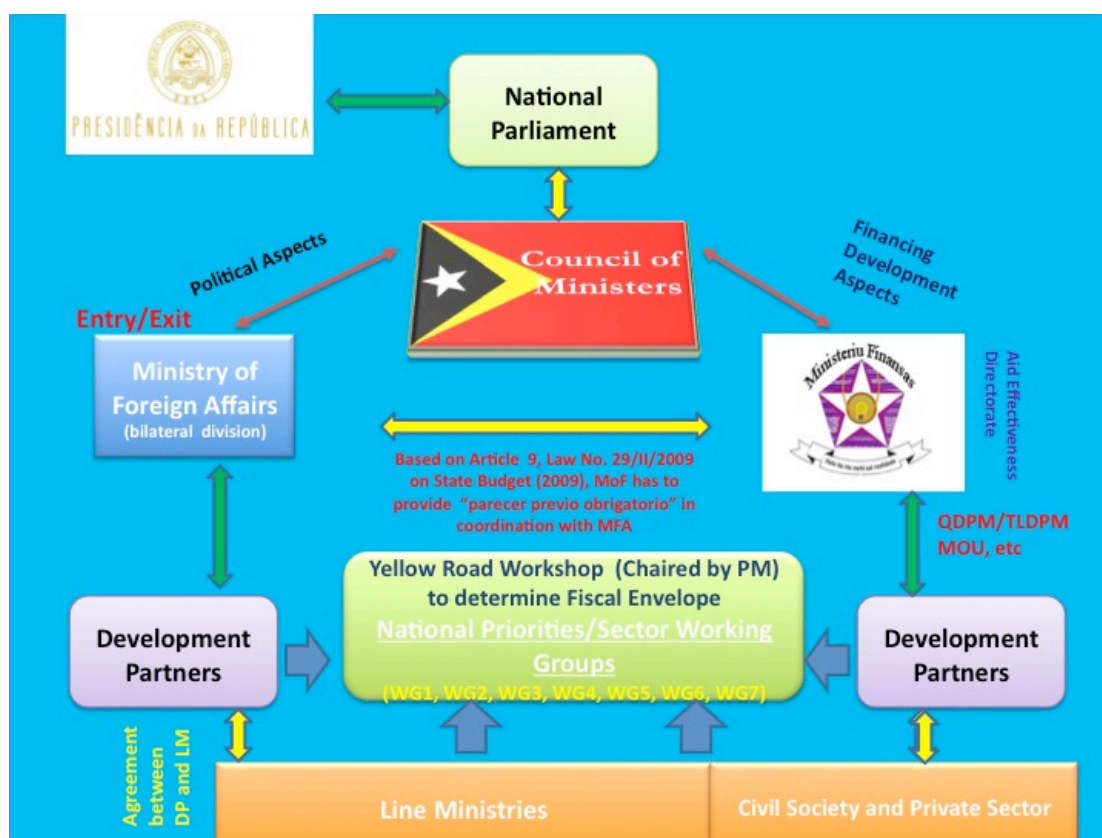
79. There is a sense that development partners could coordinate more amongst themselves to reduce the burden on Government. However, the overwhelming response from participants was that Timor-Leste should coordinate donors, rather than donors assuming the coordination responsibility themselves. At the National Consultation Meeting, development partners confirmed they would be happy with stronger direction from the government

80. Government respondents suggested that project reporting external to normal Government reporting requirements, usually through a plethora of project steering committees that senior civil servants are expected to chair/co-chair as evidence of national ownership; cause a significant drain on government partners. This also creates the need for separate systems, formats, structures and monitoring requirements. The point was made, also noted in the IDPBSB 2010, that ministries often develop their own programming directly with donors, instead of working through a coordinated platform that can help the government to align peacebuilding and statebuilding approaches across all the sectors. As a result, donors and Government miss opportunities to build on ongoing work and to aim for longer, coherent and more comprehensive change. The result is development programmes that can seem disjointed and impact is lost.

81. Some in Government also feel that direct support by donors to NGOs for projects without any requirement for NGOs to inform, consult, or link to government can cause problems. This can also lead to questions as to whether the NGO activities are aligned with Government policy and strategies. This may also hinder opportunities for Government to learn from good effective implementation by NGOs, reduce feedback from, and experiences of, beneficiaries/recipients, and reduce the scope for scalability and replication. NGOs may also raise unrealistic and unsustainable expectations of local communities creating risk of falling back into poverty, social exclusion or creating conflict.

82. The government wishes to see a number of smaller donors pool their resources and work together on shared priorities. Outside of the main 5 donors there are some 35+ other development partners with hundreds of projects. This makes coordination difficult and implies an excessive and unnecessary administration burden on government. The government is also concerned with the transaction costs for all parties.

CHART 3. THE CURRENT FRAMEWORK FOR DONOR COORDINATION



MANAGING DONOR INFORMATION FOR IMPROVING COORDINATION

83. Data concerning development partner activities in Timor-Leste was first compiled in 2002 through a Registry of External Assistance (REA) database. The REA informed the first series of Sector Investment Programs (SIPs) which made up a key component of the first National Development Plan 2002 – 2007 (NDP). Data collection on development partner activities was disbanded during the 2006 crisis and only reactivated in 2008 by the current Government with the establishment of the National Directorate for Aid Effectiveness (NDAE). Only data concerning programs and projects that provide development, humanitarian and emergency assistance registered into the database. As such, military and security related assistance is not included.

84. Timor-Leste’s two primary strategic planning tools have been the annual State Budget and National Priorities process. As such, current data collection systems have generally been perceived as adequate in terms of their ability to provide data on development partner activities within the Government sector. However, as Timor-Leste continues to make gains in terms of the consolidation of peace and security, and as the country moves towards multi-year, sectoral planning mechanisms, there is increased pressure being placed on NDAE by both Government and development partners to enhance data collection, both in breadth and data analysis in ways that will support multi-year, sectoral planning.

DATA COLLECTION AND PRESENTATION - PROBLEMS, ISSUES AND CHALLENGES

85. Aid data collection is now firmly focused on its alignment with national budgeting process as part of what Timor-Leste labels the Combined Source Budget (CSB). NDAE presents data collected categorized in accordance with the State Budget. Currently, data is requested from donors twice-yearly. Because the Government requests data on aid commitments and disbursements at the project level in

accordance with the four categories used within the State Budget many donors struggle to provide this information in a timely manner, despite such practices being aligned with Accra Agenda for Action (AAA) commitments.

86. A second concern of NDAE is that data provided by development partners is often inaccurate (e.g. in terms of project description) which in many cases causes difficulties in terms of categorization. The inability to accurately categorize donor projects also hampers NDAE's ability to analyze donor projects on a sectoral basis. Donors have informally commented that the amount and quality of data analysis provided by NDAE is insufficient when compared with the difficulties donors experience in disaggregating their project finances in order to compile figures aligned to Government budget categorization. There are plans to improve the situation and NDAE is currently working with the Asian Development Bank (ADB) to develop an Aid Information Management System (AIMS) in order to increase the accuracy and ease of data collection. NDAE expects to roll out its AIMS in Q3 of 2011.

NEW WAYS OF COORDINATING

87. With the emergence of the new SDP there is the need to develop improved donor co-ordination mechanisms at both policy and implementation levels. Existing co-ordination mechanisms, such as the National Priorities Working Groups are currently only focused on short term annual priorities. New broader mechanisms, for both sector level and spatially require more thought. Evidence of improving alignment is emerging. For example, the EU Member States active in the development field in Timor-Leste and the EU Commission have put in place an internal planning process that ultimately will result in Joint Programming (JP) by the Member States. It has been agreed, in principle, to aim for JP by the beginning of 2014. Bilateral aid programmes have durations that will complete by the goal of 01.01.2014. In advance of that date joint analytical work on the political/security, economic, social, environmental situations will commence in 2012 and intensify in early 2013. This will enable the Commission to lead a joint response strategy. Implementation will be done on the basis of separate aid programmes implemented by the respective partner based on member states comparative advantage.

88. A number of other development partners have indicated that their country strategies will be coming to an end around the same time offering an opportunity for a significant increase in donor coordination and harmonization with Government. The timing of this potential country strategic alignment is significant as it will provide enough time for the Government to fully articulate and modify as necessary its strategic development plan. More importantly, it will allow for time for interim dialogue to take place, allowing for mutual identification and agreement of priority areas between donors and Government informing future division of labour activities.

DATA COLLECTION TO HELP COORDINATION

89. While NDAE continues to be a highly effective directorate given its existing resources, additional tasks assigned to the directorate over the past 18 months have meant that there will likely be a significant gap in the directorate's ability to meet increased demands once the SDP is launched unless staffing levels are increased significantly. However, with the rollout of the new AIMS and the eventual shifting of the National Priorities Process toward a multi-year focus, the ability of NDAE to provide quality data analysis that will inform development partner resource allocation will likely increase.

PRIORITY ACTIONS

- **National Directorate for Aid Effectiveness to implement AIMS project** - Share improved data on aid programs with development partners and line ministries to support improved alignment

- **New aid Strategy to clarify roles and coordination processes** - Government should establish appropriate processes for donor engagement, including greater clarity around the respective roles of the various government bodies responsible for aid co-ordination and engagement
- **Development partners to improve communications** - Donors especially can improve communication by ensuring that their written communications, research and reports are up to date; integrating real time information rather than utilizing outdated sources which do not represent the current situation. In addition, DPs in coordination with government can ensure that information is shared and utilized in partnership

PRINCIPLE 9. ACT FAST... BUT STAY ENGAGED

ACTING FAST

90. The Government has demonstrated its capacity to respond rapidly to a range of short term needs and potential instigators of conflict which has left development partners to focus on longer-term development. In 2011 the GoTL allocated \$9.2 million for contingency reserves. The government has also taken concrete action in recent times to strengthen its ability to act quickly when required to do so. As well as setting aside funds the Government has established the Department of Peace and Social Cohesion under the Secretary of State for Social Assistance. The new Department aims to strengthen conflict prevention, peace-building and social cohesion capacities both at the national and community levels in order to address potential risk factors and to promote greater women's participation in peace-building, as well as to mainstream conflict-sensitive development processes.¹⁹

91. However, clearly in cases of national humanitarian emergency donors are still regarded as an invaluable component of Timor-Leste's overall response. Most international actors believe they can act quickly if required and demonstrated a number of examples of their willingness to respond flexibly to changing circumstances in Timor-Leste. However, as is the case in many countries it was recognised that some development partners do not always have sufficient flexibility within their budgets to respond effectively to crisis. Not only this, some respondents commented that even when donors are able to make funds available quickly, they are often earmarked for certain projects that are outside Government recovery strategies or are restricted to funding certain aspects of the government strategy. One example is the Government's decision to provide cash grants directly to eligible IDPs in order to convince them to return to their homes. Some donors publically expressed doubts as to the sustainability and effectiveness of the initiative. Those whose systems did allow them to support the Government strategy were restricted from providing cash grants as the Government had decided to adopt a strategy whereby the cash grant recipient was allowed to exercise his or her own total discretion as to how they would spend the money. The perceived lack of oversight prevented many donors to support what turned out to be, in the view of the Government, a very successful initiative that yielded results.

92. The Government has been vocal in expressing its belief that development partners should retain flexibility, despite the clear trend that shows Timor-Leste moving toward a full development agenda. Some respondents indicated that as a consequence the Government appeared to have yet to make up its mind as to whether the country wished to be considered fragile or be considered free from conflict.

93. The following development partners have stated they have the flexibility to respond immediately to unspecified needs: ADB, Australia, EC, Germany, ILO, Ireland, Portugal, UNCDF, UNESCO, UNFPA,

¹⁹

<http://www.tl.undp.org/undp/The%20Ministry%20of%20Social%20Solidarity%20launches%20the%20Department%20of%20Peace-Building%20and%20Social%20Cohesion%20to%20celebrate%20World%20Human%20Rights%20Day.html>

UNICEF, US, World Bank, WFP.²⁰

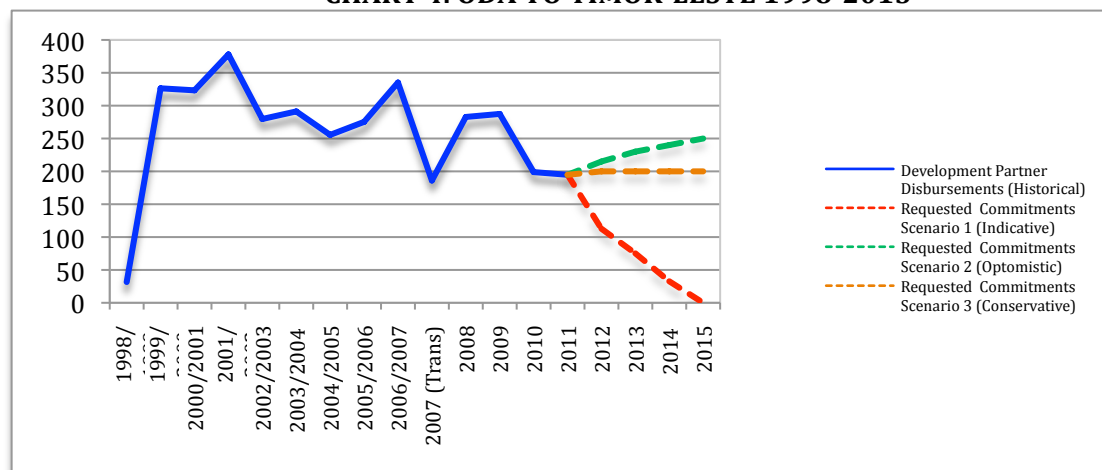
STAYING ENGAGED

94. Much support to fragile and conflict affected countries naturally tends to focus on quickly reducing ‘fragility’ and preventing further conflict. Similarly, host governments are usually keen to move quickly to a longer-term development agenda. Strategies to achieve this can place continuous pressure on the government and development partners to deliver a 30 year development and reform agenda in ever more demanding times scales, encouraging the preparation of unrealistic national programmes that may be overly ambitious and unachievable. The deadlines create pressure to ‘reverse engineer’ the development agenda to meet the pre-defined political objectives. This contributes to the general sense that government, development partners and other stakeholders expect too much too soon, and that a more prudent approach to long-term development should be adopted. Timor-Leste remains almost entirely dependent on public expenditure for stability and growth. The corollary of this is that development partners need to look beyond a five year time frame to see results and begin to discuss with Government what development aid will look like in the longer term based upon agreed analysis and plans (*see also Principle 1 – Take context as your starting point*).

STAYING ENGAGED FOR THE LONG TERM – CAPACITY DEVELOPMENT

95. Some Government respondents suggested that project design should be more holistic including longer term provision for handing over assets, including vehicles, providing insurance for all vehicles, appropriate and certified driver training for government staff (cars, trucks, forklifts, cranes etc). Original software licences to be provided for all computers, including for example, anti-virus software. Service contracts for maintenance of assets to be funded for 3-5 years after completion of the project. The intention being that donors do not unwittingly burden the government with ongoing maintenance and other operational costs.

CHART 4. ODA TO TIMOR-LESTE 1998-2015



96. As of March 2011, the Ministry of Finance estimates that USD 32.8M of development assistance is committed beyond a three-year timeframe (i.e. 2014 and beyond). Overall aid flows are captured in the table and show a decrease of 4% over the period 2005-2011. The forecasts in table is based upon a number of assumptions including the expected drawdown of the UN Mission, and the withdrawal of funding for

²⁰ Taken from 2011 FSP Survey Round responses

some of the programs that the integrated mission once shared. Increased perception of peace and stability suggesting donors may place money in other more needy areas of the world.

97. There is a tendency for development partners to increase their aid commits towards the end of the year once they themselves have more clarity as to their planned spending. In 2008, actual disbursement was 11.5% higher than what had been committed and in 2009 this figure rose to 42.1%.

98. Donor responses to requests from the National Directorate for Aid Effectiveness have reduced significantly in recent years. Development partner response ratios have decreased from 95% in 2008 to 71% in 2009 to just 66% in 2010.

TABLE 7. DEVELOPMENT PARTNER PROJECTS²¹

Bilateral	#	Multilateral	#	UN	#
Australia	47	ADB	7	FAO	9
Brazil	6	Global Fund	3	ILO	3
Canada	5	World Bank	9	IOM	8
EC	55			UNDP	24
Finland	3			UNESCO	13
Ireland	12			UNFPA	3
Japan	39			UNICEF	17
New Zealand	9			UNIFEM	4
Norway	10			WFP	7
Portugal	47				
Sweden	5				
USA	31				
TOTAL	269		19		88

99. The new SDP will announce a shift to more stable multi-year, sectoral planning and resource allocation. This will require more certitude in term of funding of major development projects. Currently the overall picture, in terms of funding commitments is not very encouraging and emphasises further the sharply declining proportion of aid to overall government spending. Most development partners suggest that these figures do not adequately reflect their level of ongoing commitment to Timor-Leste. Rather, it is a reflection of the cyclical nature of programs, contractual arrangements and budget processes.

PRIORITY ACTIONS

- **Maintain rapid response capability** - when adjusting their aid programmes to support longer term development needs International partners should maintain their rapid response capacity, including sufficient flexibility to respond to short term priorities
- **Clarity on Future Aid Flows** - donors should ensure aid flows are reliably and transparently provided to the government to enable better government planning and budgeting. In this regard the government will require all DPs to provide information on their planned aid flows for the AIMS and ensure that it is both reliable, timely, and accessible (both to Ministry and to the public)

²¹ This chart only represents project numbers based on data provided by development partners to NDAE as of August 2010

PRINCIPLE 10. AVOID POCKETS OF EXCLUSION

100. The almost uniform experience of participants strongly suggests that the “Dili-centric” focus of development efforts may continue to be contributing to societal divisions and widening the rural-urban divide (*see also Principle 6: Non-discrimination as a basis for inclusive and stable societies*).

101. The focus of investment in the capital city seems natural when the international focus is on statebuilding, and government policy on decentralisation is yet to be approved. Participants however, felt strongly that development focus and implementation of government services should be more equitable across the rural-urban divide. The same points were noted in the 2009 survey and the recommendation of the need for further analysis to understand the *causes* of exclusion and district inequities in order for government and development partners to overcome these challenges, seem not to have been taken up.

102. The government and development partners have shown that a strong focus in the rural areas can pay dividends but thoughtful intervention are required, as demonstrated by the box below on water supply in rural areas

Box 4. Water in Rural Areas

The GoTL has significantly increased investment in the rural water sector – USD5.5 million in 2010 and USD8.9million planned for 2011. In addition to the GoTL, Development Partners and NGOs are involved in the delivery (construction & rehabilitation) of rural water supply. The GoTL promotes a community management approach and has developed Rural Water Supply Guidelines that include a community planning & management approach and provide technical standards to improve quality. Ongoing maintenance continues to be a challenge impacting on the sustainability of the increased investment in rural water systems.

To help improve both co-ordination and targeting, the government has recently initiated a rural Water Systems Management System (SIB) – this includes a mapping of the status of rural systems (by aldeia), which supports improved targeting of assistance and GoTL budgets in the rural water sector. A Sector Planning tool, used to collate information from major sector actors provide information on the planned systems (including beneficiary numbers) – this coordinates delivery and in line with the SIB ensuring priorities are met. SPT results are reported via National Priority 1 working group.

The GoTL has recruited and trained Facilitators, located in each sub-district (within the Sub-District Administration office). They provide an opportunity for increased coordination with Sub-district and suco level coordinated development activities and are crucial in strategies to increase the sustainability of the increased investment.

103. The Government is quick to point toward a series of initiatives, which have seen a significant impact in rural areas. Beginning with *Pakote Referendum* in 2009 and continuing with PDD1 and PPD2 throughout 2010 and 2011, the Government claims these initiatives have helped to pump some US\$ 90.5M into rural areas while relying on the nascent private sector to implement these projects.

104. Government schemes like the Intensive Labour Projects at the District, Sub District and Suco (Village) level have benefitted some 40,000 Timorese per year since 2007. The Pakote Referendum (PR) in 2009 which allocated funds to each district for building works to establish a nascent private sector and employ local Timorese allowed for 720 new and existing Timorese companies to execute 808 local community projects. In 2009 US\$44 million was spent with local companies in the rural areas to undertake

infrastructure projects creating over 64,000 jobs. These public works were executed by Timorese companies using only Timorese employees.

105. A similar program, Pakote de Desenvolvimento Descentralizado (PDD), worth around US\$31 million is taking place in 2010 along with another US\$5.5 million being invested in the cash for work scheme; the former targeting over 20,000 jobs and the latter targeting another 16,000 jobs over a 3 to 6 month period. 91 training centres have been registered that provide training in areas of bread making, agriculture, woodwork, carpentry, electricity, mechanics, welding and constructions in all thirteen districts, 110 trainers were provided advanced training to ensure standard and quality of teaching and 2,429 Timorese received training to administer the centres. However, questions persist over the sustainability of these initiatives.

106. 5,018 young people in five districts have participated in the Youth Employment Program and the construction of five professional training and employment centres have supported communities in pursuing career development. 519 young people have joined apprenticeships and trainee programs with major companies in Dili resulting in a 50% retention rate for full-time employment.²²

107. The exclusion of youth and the growing danger this presented to Timor was underlined by many participants. One Member of Parliament noted “...when we look at problem of youth unemployment – there are no jobs – the Government spends money to take them to Australia...that means we are all dependent on scholarships – but this doesn’t solve the problems they will face when they return”

108. The International Dialogue on Peacebuilding and Statebuilding Monitoring Survey in Timor-Leste found that there were mixed views on the concept of “buying peace” (i.e. government provision of cash transfers to help internally displaced people reintegrate into the community following the crisis). While there was general agreement that this was a successful short-term intervention and a likely long-term investment in peace, participants also highlighted the importance of respect for inclusion in order to build lasting peace. There was general agreement that the transition to more equal and sustainable distribution of economic growth and service delivery programs will help support these efforts.

Box 5. Education and Rural Development

One sector that appears to suffer particularly acutely from this divide is the education sector. It is claimed that 1000 schools are waiting to be refurbished. Increased investment in rural areas could have multiplier effects for the developmental potential of these areas and the nation as a whole. International and state attention should provide a broader focus than solely institution-building and look at the key sectors that can benefit from investment in rural areas and will contribute towards long term stability and development goals.

109. Some civil society and NGO participants felt that project design sometimes excluded rural beneficiaries and the vast majority of international advisers and development partners live and work in Dili. Being excluded from rural areas they naturally do not focus as much as required.

PRIORITY ACTIONS

- **The Government and development partners to investigate exclusion** – There is a need for a clearer picture of exclusion and its possible consequences - clearer monitoring and better targeting of assistance to rural areas would be aided by specific government leadership and strategies that are complimented by a better division of labour among international actors. This would include

²² MDG booklet 2010

improved data and statistics on both actual and perceived inequality and income disparity

- **Development partners in partnership with Government increase support for civil society organisations** - Particularly those engaged in service delivery in rural areas.

ANNEX A:THE PRINCIPLES FOR GOOD INTERNATIONAL ENGAGEMENT IN FRAGILE STATES AND SITUATIONS²³

1. Take context as the starting point
2. Ensure all activities do no harm
3. Focus on state building as the central objective
4. Prioritise prevention
5. Recognise the links between political, security and development objectives
6. Promote non-discrimination as a basis for inclusive and stable societies
7. Align with local priorities in different ways and in different contexts
8. Agree on practical co-ordination mechanisms between international actors
9. Act fast... but stay engaged long enough to give success a chance
10. Avoid pockets of exclusion (“aid orphans”)

²³ The Principles apply to all international actors as a whole and not just to donors. International actors includes diplomats, humanitarians, security actors, development agencies, international NGOs and Foundations, investors etc.

ANNEX B:

METHODOLOGY FOR THIS COUNTRY CHAPTER

Approach to the Survey and Purpose

The general methodology is common to all participating countries/territories, although it has been slightly altered to take into account specific issues in Timor-Leste.

It is intended that the Survey will link to existing dialogues in Timor-Leste between international actors, the government and civil society. The survey also seeks to identify key areas where dialogue may not exist or where existing dialogue could be improved. It is also intended that the survey findings will improve existing country planning and aid management *processes*, and help advance the adoption of a national aid policy. Crucially, it also offers a lens through which to consider the new Strategic Development Plan and its implementation, fostering and strengthening consensus amongst development partners and other stakeholders around the vision, detailed plans and financing.

The ultimate objective of the survey is thus not simply the production of the Country Chapter as an input to the Global Report by OECD, but real behaviour change and impact at country-level, right here in Timor-Leste and for the benefit of Timorese citizens.

As such, the starting point for the survey is “How can the survey contribute to strategic objectives that we’ve already identified, or to certain ongoing processes?”

The survey ultimately rests on a multi-stakeholder, multi-sector, mixed-methods approach (quantitative and qualitative data), building on data collection and a national consultation.

The survey consists of three phases and is a multi-stakeholder process. The three phases of the survey are:

1. Data collection (literature review; data search; interviews; focus group discussions; donor questionnaire) before the national consultation meeting
2. A national consultation meeting
3. Validation of the Country Chapter.

Initial Consultations have brought together multiple stakeholders:

1. National actors including Members of government, Members of Parliament, Civil society organisations
2. International actors working in the fields of development, diplomacy, security

Phase I data collection has now been completed. The data collection phase has drawn from the combined FSP-Paris Declaration Monitoring Survey donor questionnaire, statistical data gathered by the consultant, stakeholder interviews, focus group discussions conducted by the consultant and direct observation.

The data collected informs the scoring of indicators. They aim at measuring progress towards good practices usually associated with each of the FSPs. The indicators are only a part of the survey and are contextualised by the other data that is collected. In other words, indicators are not meant as a perfect or comprehensive measure of how a given Principle is implemented. The indicators are common to all participating countries in order to assess existing trends in all countries.

Phase II. The national consultation (17 March 2010)

The consultation meeting began with a presentation of the initial findings in order to frame the discussion. The consultation allowed for a qualitative dialogue about whether international support accords with each Principle, and with what impact. Examining the specifics of Timor-Leste helps explain why certain approaches and options have been preferred over others. The consultations are an opportunity to foster consensus on these issues, although as was expected some diverging viewpoints remain.

The Timor-Leste survey naturally focused on the Principles that were the most useful or the most pertinent in context.

After the NCM a list of ‘Priority Actions’ was prepared. The identification of priority actions, for both national and international actors, is intended to increase adherence to each Principle and improve the impact of international engagement

Phase III. Validation (April - July 2011)

The data collected and the discussions at the national consultation will be summarised in a Country Chapter, submitted to the different stakeholders by the National Coordinator for validation.

The first step in this exercise was a peer review undertaken locally by two participating organisations. This was followed by a presentation of findings at a dedicated workshop held in May 2011. The final draft country chapter was passed to the OECD on 31st May 2011

ANNEX C:

BIBLIOGRAPHY

For inclusion in final Country Report.

ANNEX D:

DEFINITIONS

These definitions are provided to ensure methodological and conceptual consistency across the 14 countries/territories.

Aid for the government sector	ODA disbursed in the context of an agreement with administrations (ministries, departments, agencies or municipalities) authorised to receive revenue or undertake expenditures on behalf of the central government. This includes activities delegated or subcontracted by these administrations to other entities such as Non-Governmental organisations (NGOs); semi-autonomous government agencies (e.g. parastatals), or; private companies. All parallel PIUs <i>used in the context of aid for the government sector</i> should be reported as aid for the government sector.
Alignment	International actors align when they base their support on partner countries' national development strategies, institutions and procedures.
Capacity Development	Capacity development is the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.
Country analytic work	Encompasses the analysis and advice necessary to strengthen policy dialogue, develop and implement country strategies in support of sound development assistance. It includes Diagnostic reviews (e.g. Country Procurement Assessment Report, Country Financial Accountability Assessments etc.); country or sector studies and strategies; country or sector evaluations; crosscutting analytical work such as gender assessments.
Co-ordinated country analytic work	(i) Country analytic work undertaken by one or more donor jointly; and/or (ii) undertaken by one donor on behalf of another donor (including work undertaken by one and/or used by another when it is co-financed and formally acknowledged in official documentation); and/or (iii) undertaken with substantive involvement from government.
Co-ordinated missions	Are (i) missions undertaken by one or more donor jointly, or (ii) missions undertaken by one donor on behalf of another donor (delegated co-operation).
Co-ordinated technical co-operation	Means free standing and embedded technical co-operation (see definition of technical assistance) that respects the following principles. <i>Ownership</i> -- Partner countries exercise effective leadership over their capacity development programmes. <i>Alignment</i> – Technical co-operation in support of capacity development is aligned with countries' development objectives and strategies. <i>Harmonisation</i> – Where more than one donor is involved in supporting partner-led capacity development, donors co-ordinate their activities and contributions. For the PD-Survey, donors should include programmes that meet <i>BOTH criteria</i> below: 1. Have relevant country authorities (government or non-government) communicated clear capacity development objectives as part of broader national or sector strategies? (Y/N) 2. Is the technical co-operation aligned with the countries' capacity development objectives? (Y/N) <i>AND at least ONE</i> of the criteria below: 3. Do relevant country authorities (government or non-government) have control over the technical co-operation? (Y/N) 4. If more than one donor is involved in supporting country programmes, are there arrangements involving the country authorities in place for co-ordinating the

	technical co-operation provided by different donors? (Y/N)
Development partners	Are representatives of donor countries, bilateral and multilateral agencies and global programmes engaged in development co-operation activities and policy dialogue at country level.
Direct budget support	A method of financing a partner country's budget through a transfer of resources from a donor to the partner government's national treasury and managed in accordance with the recipient's budgetary procedures. Funds transferred to the national treasury managed according to different budgetary procedures from those of the partner country, with the intention or earmarking the resources for specific uses, are therefore excluded (OECD 2006 ²⁴). Direct budget support provided in support of PBAs includes all direct budget support provided in support of PBA (see definition of PBA)
Disbursement	The placement of resources at the disposal of a recipient country or agency (OECD-DAC Statistical Directives para. 15-18). Resources provided in-kind should only be included when the value of the resources have been monetised in an agreement or in a document communicated to government.
Donor	An official agency — including state and local governments — that provides Official Development Assistance (OECD-DAC Statistical Directives para. 35). Under this definition, non-governmental Organisations (NGO) and private companies do NOT qualify as donors.
Donor missions to the field	<p>Missions that meet all of the following criteria:</p> <ul style="list-style-type: none"> • The mission is undertaken by, or on behalf of, a donor, including programme developers, appraisers and evaluators, sector assessment teams commissioned by a donor. • The mission involved international travel typically, but not exclusively, from donor headquarters. • The mission made a request to meet with government officials including local government. <p>(It therefore does NOT include: missions undertaken by donors to attend events (workshops, conferences, etc.) that do not involve request to meet with government officials; undertaken by parliamentary or other political delegations; special event missions undertaken as part of a defined programme, e.g. electoral observers; external consultants that are executing work as part of scheduled programme implementation plans; disaster assessment teams.)</p>
Fiscal year	Refers to the fiscal year of the country receiving ODA. In order to have data available in time for the Korea High-Level Forum both donors and partner countries are required to report against the <i>calendar year 2010</i> except in the case of Indicator 3 (Aid Flows aligned on national priorities) that is measured against partner country's fiscal year 2009/10.
Impact	Is the long-term results (e.g. changes in food security, changes in personal security) produced by a programme, directly or indirectly, positive or negative, intended or unintended.
Inputs	Are the resources (e.g. staff, financial resources, space) brought together to accomplish a program's objectives.
International	Include development actors, peacekeepers, diplomats, humanitarians, economic actors,

²⁴ OECD 2006, *Harmonising Donor Practices for Effective Aid Delivery*, Vol. 2, Chap. 2: Budget Support.

actors	and international civil society organisations.
Official Development Assistance (ODA)	Includes all transactions as defined in OECD-DAC Statistical Directives para. 35, including official transactions that: are administered with the promotion of the economic development and welfare of developing countries as its main objective; and are concessional in character and convey a grant element of at least 25%.
Outputs	Are the products (<i>e.g.</i> number of trainees, immunised children) that result from programmes.
Other donor assistance provided in support of PBAs	<p>Is ODA provided in support of PBAs (see above) but excluding direct budget support (see above). This might include:</p> <ul style="list-style-type: none"> • Projects integrated into Sector-Wide Approaches (SWAs). • Pooled arrangements in support of programme-based approaches (<i>e.g.</i> basket funding or pooling of technical assistance). • Other assistance in support of programme-based approaches. <p>In each of the countries where the survey is undertaken, donors should be prepared to share with National Co-ordinators the list of their activities that qualify as programme-based approaches and how each meets the PBA criteria</p>
Peacebuilding	Involves a range of measures targeted to reduce the risk of lapsing or relapsing into conflict by strengthening national capacities at all levels for conflict management, and to lay the foundations for sustainable peace and development.
Programme based approaches (PBA)	<p>Are a way of engaging in development co-operation based on co-ordinated support for a locally/nationally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or the programme of a specific organisation. The existence of formal mechanisms for co-ordination, harmonisation and gradual alignment of support to country systems are also defining features of programme-based approaches. For the Paris Declaration survey indicator 9, donors are invited to review all their development activities with a view to determining how much ODA was disbursed in support of programme-based approaches that meet <i>all 4 of the following criteria</i>:</p> <ol style="list-style-type: none"> 1. Is the host country or organisation exercising leadership over the programme supported by donors? (Y/N) 2. Is a single comprehensive programme and budget framework used? (Y/N) 3. Is there a formal process for donor co-ordination and harmonisation of donor procedures for <i>at least two</i> of the following systems: (i) reporting, (ii) budgeting, (iii) financial management and (iv) procurement? (Y/N) 4. Does your support to the programme use <i>at least two</i> of the following local systems: (i) programme design, (ii) programme implementation, (iii) financial management and (iv) monitoring and evaluation? (Y/N)
Project Implementation Unit (PIU)	<p>Also referred to as project management units, project management consultants, project management offices, project co-ordination offices etc., PIUs are dedicated management units designed to support the implementation and administration of projects or programmes. PIUs typically share the following key features:</p> <ul style="list-style-type: none"> • PIUs are typically required to perform subsidiary (rather than principal) tasks with regard to the implementation of a project or programme. • PIUs are often established at the request of a donor following the inception of a project or programme. • The staff of PIUs vary considerably in size and composition. Staff size can vary from 1 to as many as 200 but most count less than 10 professional staff.

	Most PIUs rely on staff recruited outside the civil service (e.g. long-term local consultants).
Project Implementation Unit (PIU), parallel	<p>A PIU is parallel when it is created and operates outside existing country structures at the behest of a donor. In practice, there is a continuum between parallel and integrated PIUs. The criteria below have been designed to help donors and partner authorities draw a line within this continuum and identify parallel PIUs.</p> <p>For the purpose of this survey, PIUs are said to be parallel when there are three or more “Yes” to the four questions below (anything less counts as integrated):</p> <ol style="list-style-type: none"> 1. Are the PIUs accountable to the external funding agencies/donors rather than to the country implementing agencies (ministries, departments, agencies etc)? (Y/N) 2. Are the terms of reference for externally appointed staff determined by the donor (rather than by the country implementing agencies)? (Y/N) 3. Is most of the professional staff appointed by the donor (rather than the country implementing agencies)? (Y/N). 4. Is the salary structure of national staff (including benefits) higher than those of civil service personnel? (Y/N)
Security system	Refers to core security actors (<i>e.g.</i> armed forces, police, gendarmerie, border guards, customs and immigration, intelligence); security management and oversight bodies (<i>e.g.</i> ministries of defence and internal affairs, financial management bodies and public complaints commissions); justice and law enforcement institutions; and non-statutory security forces (<i>e.g.</i> private security companies, guerrillas and militias).
State functions	Core state functions are usually considered to be security and justice, revenue mobilization and expenditure management, provision or oversight of basic service delivery, and the creation of an enabling environment for economic performance and job creation. Which of these are strategic priorities for statebuilding will depend on the context.
Statebuilding	Is an endogenous process of strengthening the capacity, institutions and legitimacy of the state, driven by state-society relations. This definition places state-society relations and political processes at the heart of statebuilding and identifies legitimacy as central to the process as it both facilitates and enhances statebuilding. It recognises that statebuilding needs to take place at both the national and local levels. It gives a central role to strengthening the state's capacities in order to provide key state functions. The concept of statebuilding is increasingly used to describe a desired ("positive") process of statebuilding and therefore emphasises the importance of inclusive political processes, accountability mechanisms and responsiveness.
Technical co-operation	<p>(Also referred to as technical assistance) is the provision of know-how in the form of personnel, training, research and associated costs (OECD DAC Statistical Reporting Directives 40-44). It comprises donor-financed:</p> <ul style="list-style-type: none"> • Activities that augment the level of knowledge, skills, technical know-how or productive aptitudes of people in developing countries; and • Services such as consultancies, technical support or the provision of know-how that contribute to the execution of a project. <p>Technical co-operation can be provided to both government and non-government entities, and includes both free standing technical co-operation and technical co-operation that is embedded in investment programmes (or included in programme-based approaches). In order to report against this question, donors are invited to review their portfolio of projects and programmes and estimate the share of technical co-operation</p>

Use of national auditing procedures

Is when donors do not make additional requirements on governments for auditing, but rely on the government's normal financial reports/statements. Donors are invited to review all their development activities with a view to determining how much ODA for the government sector meet **BOTH criteria below**²⁵ :

1. Your funds are subject to audit carried out *under the responsibility of the Supreme Audit Institution*? (Y/N)
2. You do **NOT** under normal circumstances *request additional audit arrangements*²⁶? (Y/N) (i.e.: donors do not require additional audits. **No**: donors do require additional audits)

AND at least one of the two criteria below:

1. You do NOT require *audit standards different* from those adopted by the Supreme Audit Institution? (Y/N) (i.e.: **Yes**: donors do not require different audit standards. **No**: donors do require different audit standards)
2. You do NOT require the SAI to change its *audit cycle* to audit your funds? (Y/N) (i.e.: **Yes**: donors do not require to change the audit cycle. **No**: donors do require change to the audit cycle.)

Use of national budget execution procedures

Is when the funds donors provide are managed according to the national budgeting procedures established in general legislation and implemented by government. Programmes supported by donors are subject to normal country budgetary execution procedures for authorisation, approval and payment.

Donors are invited to review all their development activities with a view to determining how much ODA for the government sector meet **three out of the four criteria** below (anything less does not qualify):

1. Are your funds *included in the annual budget* approved by country legislature? (Y/N)
2. Are your funds subject to established country *budget execution procedures*? (Y/N)
3. Are your funds processed (e.g. deposited & disbursed) through the *established country treasury system*? (Y/N)
4. You do NOT require the *opening of separate bank accounts* for your funds? (Y/N) (i.e.: **Yes**: you do not require opening separate accounts. **No**: you do require opening separate accounts)

Use of national financial reporting procedures

Is when donors do not impose additional requirements on governments for financial reporting beyond their regular national requirements. In particular donors do NOT require: (i) maintenance of a separate accounting system to satisfy donor reporting requirements, and (ii) creation of a separate chart of accounts to record the use of donor funds.

²⁵ Note: where aid is provided to parastatal entities (for example, public enterprises) and these entities are not subject to audit by the Supreme Audit Institution, the following criteria should be considered: Donors are invited to review all their development activities with a view to determining how much ODA for the government sector meet BOTH criteria below:

1. Are your funds subject to audit carried out under the regular audit procedures established for the audit of parastatal entities? (Y/N)
 2. You do NOT under normal circumstances request additional audit arrangements ? (Y/N)
- AND at least one of the two criteria below:
3. You do NOT require audit standards different from those adopted by the partner country for the audit of parastatal entities? (Y/N)
 4. You do NOT require a change in the audit cycle of the parastatal entity to audit your funds? (Y/N)

²⁶ Reserving the right to make an exceptional audit (e.g. when fraud or corruption is discovered) does not count against this criteria.

Donors are invited to review all their development activities with a view to determining how much ODA for the government sector meet BOTH criteria below (anything less does not qualify):

1. You do NOT require maintenance of a separate accounting system to satisfy your own reporting requirements? (i.e.: **Yes:** you do not require a separate accounting system. **No:** you do require a separate accounting system.)
2. You ONLY require financial reports prepared using country's established financial reporting arrangements? (Y/N)

Use of national procurement systems

Donors use national procurement systems when the funds they provide for the implementation of projects and programmes are managed according to the national procurement procedures as they were established in the general legislation and implemented by government. The use of national procurement procedures means that donors do not make additional, or special, requirements on governments for the procurement of works, goods and services.

Whole-of-government approaches

Whole-of-government approaches to policy development, programming and implementation entail the collaboration of public services agencies working across portfolio boundaries to achieve a shared goal and a coherent government response to particular issues. Approaches can be formal or informal.

ANNEX E:

TIMOR-LESTE TIMELINE

1999 August 30	<ul style="list-style-type: none"> ▪ UN-sponsored elections held on autonomy vs. independence. ▪ 98.6% of the 451,000 registered voters cast ballots. ▪ U.N. peacekeeping forces arrived in the following weeks.
1999 - September 3	<ul style="list-style-type: none"> ▪ Election results report with 78.5% in favor of independence. ▪ Pro-Indonesia militiamen react by going on a violent rampage ending when international forces sent in.
1999 - September 20	<ul style="list-style-type: none"> ▪ First wave of international peacekeepers, known as INTERFET, land and establish control over Dili.
1999 – October 5	<ul style="list-style-type: none"> ▪ Kofi Annan presents UN plan to take full control of East Timor and guide the territory to nationhood over 2-3 years.
1999 – October 25	<ul style="list-style-type: none"> ▪ UN Security Council votes to send 8,950 peacekeepers, 1,640 police officers and 200 military observers to oversee the East Timor transition to independence.
2002 - May 20	<ul style="list-style-type: none"> ▪ East Timor renamed Timor-Leste upon independence.
2003 – September 16	<ul style="list-style-type: none"> ▪ UN turns over responsibility for security in Timor-Leste's second largest city to the country's fledgling police force.
2002 – September 27	<ul style="list-style-type: none"> ▪ Timor-Leste is the first country to be born in the 21st century ▪ Gains seat at the United Nations, taking total membership to 191.
2005 – December 1	<ul style="list-style-type: none"> ▪ Australia and Timor-Leste finalize revenue-sharing pact covering the \$5 billion Sunrise natural-gas project.
2006 – February	<ul style="list-style-type: none"> ▪ Approximately 500 Timorese soldiers deserted in protest against alleged discrimination.
2006 – March 16	<ul style="list-style-type: none"> ▪ Timor-Leste's Prime Minister Mari Alkatiri dismisses almost half the country's 1,400-strong army for going on strike.
2006 – April 28	<ul style="list-style-type: none"> ▪ Hundreds of former soldiers burn cars and shops in Dili, sparking violent clashes with police that leave at least two people dead and 27 injured. ▪ Dismissed soldiers hold near-daily rallies in Dili demanding that their grievances be heard.
2006 - May 23	<ul style="list-style-type: none"> ▪ Fighting between disgruntled former soldiers and the military leaves at least two people dead ▪ Australia and New Zealand offer to provide troops to the tiny nation to help restore calm.
2006 - May 24	<ul style="list-style-type: none"> ▪ International peacekeepers and troops from Australia and New Zealand head to Timor-Leste to help restore order.
2006 - June 4	<ul style="list-style-type: none"> ▪ Gangs burn half a dozen buildings near the airport in Dili as residents plead for a permanent police presence in their neighborhoods to stop the violence.
2006 - June 11	<ul style="list-style-type: none"> ▪ Foreign Minister Jose Ramos-Horta states that the Timorese government has asked the UN to form an "independent special inquiry commission" into violence that has left 21 dead.
2006 - June 13	<ul style="list-style-type: none"> ▪ UN chief Kofi Annan asks UN human rights chief Louise Arbour to set up an independent enquiry commission to probe recent ethnic violence.
2006 - June 16	<ul style="list-style-type: none"> ▪ Rebel soldiers surrender the first of their weapons to Australian peacekeepers, beginning a process deemed vital to ending months of unrest.
2006 - June 20	<ul style="list-style-type: none"> ▪ Prosecutors order the arrest of Rogerio Lobato, former interior minister,

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	<p>for supplying weapons to a hit squad tasked with eliminating the prime minister's political opponents.</p> <ul style="list-style-type: none"> ▪ International troops tighten security across the capital as hundreds of protesters gather to demand PM Mari Alkatiri's resignation.
2006 - June 26	<ul style="list-style-type: none"> ▪ PM Alkatiri resigns.
2006 - July 8	<ul style="list-style-type: none"> ▪ Jose Ramos-Horta, Nobel peace laureate, named East Timor's new prime minister.
2006 - August 30	<ul style="list-style-type: none"> ▪ Nearly 60 inmates escape from jail, including scores of people arrested in recent violence.
2007 - March 4	<ul style="list-style-type: none"> ▪ International security forces backed by helicopters raid a rebel hideout and killed four suspected insurgents, though their leader Alfredo Reinado escapes.
2007 - June 30	<ul style="list-style-type: none"> ▪ Parliamentary elections under way. ▪ Ruling Fretilin party narrowly defeats its rivals in elections, prompting the President Jose Ramos-Horta to call for a national unity coalition to avoid a collapse of the government.
2007 - August 6	<ul style="list-style-type: none"> ▪ Xanana Gusmão named East Timor's new prime minister.
2008 – February 11	<ul style="list-style-type: none"> ▪ Rebel soldiers shoot and critically wound President Jose Ramos-Horta, and open fire on PM Xanana Gusmão, in a failed coup attempt. ▪ Rebel leader Alfredo Reinado and one of his men killed in the attack on the home of Ramos-Horta, while one of the president's guards also dies.
2008 – February 12	<ul style="list-style-type: none"> ▪ State of emergency declared. ▪ Australian troops and a warship arrived to boost security.
2008 - March 2	<ul style="list-style-type: none"> ▪ A senior East Timorese rebel soldier surrenders. He was accused of being involved in last month's attacks on the country's president and prime minister.
2008 - April 29	<ul style="list-style-type: none"> ▪ Gastao Salsinha, leader of a group of rebels accused of trying to assassinate President Jose Ramos-Horta, surrender with 12 men.
2008 - July 11	<ul style="list-style-type: none"> ▪ Brazilian President Luiz Inacio Lula da Silva promises support Timor-Leste during talks in Dili with Timorese leaders including President Jose Ramos-Horta.
2008 - July 15	<ul style="list-style-type: none"> ▪ Indonesia's president acknowledges that his country carried out gross human rights abuses during East Timor's 1999 break for independence, stopping short of offering a full apology.

Post-2009 developments to be included in final report.