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NEW ZEALAND'S DEVELOPMENT ASSISTANCE
TO TIMOR-LESTE

2001-2007

REVIEW

Final Report
9 August 2008

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Acronyms

Abbreviations	Term
CARE	Cooperative for Assistance and Relief Everywhere, Inc
CSP	Consolidation Support Program
DAS	Development Advisory Services
DPC	NZAID Development Programme Coordinator
DPM	NZAID Development Programme Manager (DPM)
ECBP	Education Capacity Building Project
GoTL	Government of Timor-Leste
IDP	Internally Displaced Persons
JSMP	Judicial System Monitoring Programme
MFAT	Ministry of Foreign Affairs and Trade
MoE	Ministry of Education
MoH	Ministry of Health
NDP	National Development Plan
NZAID	New Zealand Agency for International Development
NZODA	New Zealand Official Development Assistance
NZP	New Zealand Police
PD/PARIS	Paris Declaration on Aid Effectiveness
SCDF	Social Community Development Fund
SIPs	Sector Investment Programs
TA	Technical Assistance
TFET	Trust Fund for East Timor
TSP	Transition Support Programme
UNDAF	Development Assistance Framework
UNDP	United Nations Development Program
UNMIT	United Nations Integrated Mission in Timor-Leste
UNTAET	United Nations Transitional Administration in Timor-Leste
UNVs	United Nations Volunteers

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1.0 Executive Summary

1. Timor-Leste has made significant gains since independence in 2002 but remains the poorest country in Asia and continues to experience conflict. New Zealand has played a modest role since 1999, guided by Bilateral Strategic Frameworks in 2001 and 2003, and subsequently by the Asia Strategy and Paris Declaration in 2005. NZAID's expenditure from 2001-2007 totalled around NZ\$27 million. This Review, originally scheduled for 2005 to review the 2003 interim Strategy, was postponed following the crisis in 2006 and then again in the run up to the elections so it is only in early 2008 that the situation has been conducive to its taking place. The context within which NZAID operates has been, and continues to be highly challenging.

2. The purpose of the Review is to draw pertinent lessons from NZAID's programme of assistance to Timor-Leste for the period 2001-07 which will inform the development of a new country strategy and, in particular, the choice of the most effective and appropriate modalities. Objectives are: 1) to distil learning in the areas of capacity development, the principles of the Paris Declaration, policy dialogue, appropriate aid modalities, conflict prevention and peace building, and New Zealand's area of comparative advantage; and 2) to make recommendations for future assistance. The scope of the Review is the relative effectiveness of aid modalities in responding to Timor-Leste's development needs.

3. *Which modalities are most successful in facilitating ownership and alignment with Timorese plans and systems?*
In the context of Timor-Leste, meeting the commitments of the Paris Declaration (PD or Paris) is extremely challenging because the building blocks of effective government are still being put in place. Of all the modalities NZAID utilises, Macro Policy Support and Sector Level Programme are, by design, the two most effective in supporting ownership and alignment. Strategic Partnerships are limited by the complexities of providing technical assistance (TA) and the other modalities are not designed with the principles of Paris in mind.

4. *Which modalities have enabled NZAID to effectively harmonise with other partners' programmes?*
The Consolidation Support Program (CSP), whilst not wholly effective, has been the most important mechanism for donor coordination, facilitating discussions both among donors and between donors and GoTL. In the education sector harmonisation has been poor, which is a function of multiple donor involvement and a degree of politicisation around language and curriculum. The UNDP programmes have mostly been directly executed by UNDP rather than the Government and have therefore not supported harmonisation as well as they might have. In the lower order modalities the projects are owned by NZAID as the sole donor. Overall there are formidable barriers to harmonisation.

5. *How has NZAID's approach facilitated or hindered commitments to manage resources and improve decision making for results, and to mutual accountability?*
There is insufficient information to determine NZAID's impact on these commitments and NZAID itself is still in the process of refining its own results-oriented reporting and assessment frameworks to monitor progress. Given the extremely trying circumstances under which the Timor-Leste programme has developed it is unreasonable to expect progress on this commitment, which is challenging to even the largest donors.

6. *How have programme shape and modalities facilitated or obstructed NZAID's core business of providing policy advice on ways to eliminate poverty?*

Programme shape has been determined by at least four levels of policy and strategy within NZAID. This has resulted in justifications for choices from too many sources and creates confusion about the extent to which NZAID is seeking to implement its own policies compared with supporting those owned by GoTL. Shape has also been influenced by the interests and motivations of individuals, by political imperatives, and reluctance to reject unsolicited proposals. The choice of modalities has influenced the extent to which NZAID can contribute to policy debates and is greatest in the Macro Policy Level modality where useful contributions have been made even though NZAID is a small donor.

In general larger donors, with their greater analytical capability and specialist staff in country, are better positioned to provide policy advice. The GoTL National Development Framework, which resulted from their support, is basically a sound pro-poor document so the issue now is the implementation of those policies rather than the development of new ones. NZAID's decision to place an adviser in the Ministry of Education to scope possibilities over a four month period was sound and has resulted in a project which focuses on important management implementation issues. This is in contrast to the rural livelihoods sector where analysis and scoping have been done predominantly by Wellington based staff who are unable to spend long enough to understand the issues, especially from the Ministry perspective.

7. *What were the critical success (or failure) factors beyond modality?*

Most of the success and failure factors are dependent on the political, economic, institutional, social and cultural context within which donors operate and Timor-Leste is a very fragile 'post-conflict' state in which conflict is ongoing. In common with other donors there is a tendency to seek quick wins and MFAT have been especially keen to address immediate concerns associated with incidents of conflicts whereas NZAID have tended to focus on longer term issues. Although relationships between individuals in the two agencies are good there are underlying differences, and sometimes tension, about approach. There would benefit in a sustained dialogue aimed at achieving mutual respect for different agendas and working towards a cohesive whole of government approach. A major risk factor for failure is the shape of the programme in relation to the available human resources and the only obvious solution to this is to pursue the much talked about 'fewer, longer, deeper'.

8. *Which modalities are most successful in developing adequate country capacity in a sustainable manner?*

Since all modalities offer the potential to develop capacity, the issue is about how explicit it is within a modality and whether there is a framework to guide it. NZAID does not yet have an agreed working definition of capacity development nor guidelines for staff to follow even though it is stated in the Strategy to underpin all assistance. The higher level modalities reach more people and have the potential to develop sustainable capacity through a holistic approach at individual, organisational and institutional levels. At the lower levels the number of beneficiaries is small and the cost per beneficiary is high. Capacity development is the main reason donors are in Timor-Leste yet progress has been much slower than anticipated and there have been many issues around the main modality of Technical Assistance (TA). Whilst many lessons have been learned, the very nature of low capacity is that it takes a very long time to develop it and it is extremely difficult for a wide range of reasons. In fragile

states capacity development needs to be based on a multi-level understanding of the country context to ensure that solutions best fit the particular circumstances.

9. *Has the programme achieved an appropriate balance between government, other state institutions and civil society?*

Although the issue of balance is referred to in earlier policy and strategy documents as an approximately 65/35 split between 'direct' and 'indirect' interventions, the terms have never been defined and it has never been made clear what the purpose of achieving such a balance is. Therefore the choice of modalities that influence balance appears arbitrary or certainly without a well articulated rationale. The actual balance achieved, 42/58, is almost the reverse of the strategic intent and is, in fact, approaching the Paris target of 66% spend on programme context modalities (indirect). This was not strategically planned but emerged for a range of reasons including history, opportunities and individual interest as well as the changing agenda for development since 2005. Between 2002-07 35% of funds were disbursed through macro policy support and 20% through strategic partnerships where the workload associated is minimal compared to that associated with working directly with civil society.

10. *Has the programme responded appropriately to conflict and supported conflict prevention and peace building?*

NZAID responded to the conflict with timeliness and flexibility in several ways especially in response to the 2006 crisis, and has also funded three projects involved in conflict prevention and peace building although they were not funded for that reason. Overall there has not been a strategic approach to incorporating conflict prevention and peace building as a cross-cutting issue in the programme. This is a result of no specific Policy prior to 2005 and no tools or guidelines subsequently, combined with minimal specialist support from SAEG. There is also a notable absence of conflict analysis, especially since 2006, through which to inform programming. Although New Zealand has contributed to security through defence forces and the NZP there is scope to build on this more strategically in order to address the all-important security-development nexus. This will need to look at both short term responses and longer term development assistance.

11. *Has the programme effectively identified an appropriate niche for NZ development assistance and capitalised on any comparative advantage NZ may have?*

Niche and comparative advantage are nebulous terms which defy technical definition and there is no strong evidence that NZAID has neither a niche or a comparative advantage in its assistance. In general NZAID provides similar support to other donors. Within education there is the making of a sound programme but the construction of this 'niche' has a price in that it has created a heavy workload for a small spend and has tended to be managed as a separate programme rather than one harmonised with other donors. Comparative advantage in the competitive and somewhat anarchic context of aid in Timor-Leste is easily lost so consolidation is therefore important. Furthermore, in a context which is relatively new to NZAID and quite different from the Pacific (where comparative advantage may be a more meaningful term) it is more likely that comparative advantage is something that is built slowly through developing partnerships than something which is brought from outside.

12. *To what extent has NZAID's programme been consistent with a focus on poverty reduction? To what extent has it contributed to the development of rural areas?*

Poverty reduction is implicit rather than explicit in the programme. So far there has been minimal involvement in rural areas considering that it was the leading sector along with

education. There are various reasons for this including insecurity, insufficient human resources and no specialist advice at Post, perceptions about weaknesses in the Ministry of Agriculture, and the predisposition of some staff to work through civil society. The choice not to work through multilaterals as a strategic partner in this area is notable and indicative of a tendency to judge both their programmes, and by association Government's, as not fitting with NZAID's priorities. This raises the very important issue of ownership and whether NZAID is following its own agenda or supporting GoTL in this sector.

13. *How do the outcomes, impacts or changes brought about by NZAID's programme compare qualitatively with the amount of money spent?*

This question is beyond the scope of the Review to answer with authority. In the absence of a thorough monitoring and evaluation process for many of the multiple interventions it would be problematic to venture estimation of effectiveness. Why monitoring and evaluation has not received more attention, especially in the case of SCDF which consumes considerable human and financial resources, is unclear. Certain interventions, most notably the MoH secondments, were clearly not value for money. Others, especially budget support and strategic partners as higher level modalities, are deemed to be good value for money in that they leverage resources from many donors. Furthermore, they tend to have relatively rigorous monitoring and evaluation.

14. *Conclusions*

1. *Sustainable capacity development*

There is evidence of attention but no framework articulating clearly what is to be achieved or how. Staff cannot therefore maximise the potential gains. The time required has been under-estimated by all donors. In education NZAID has demonstrated the potential for best practice by working in a process, rather than a results-oriented way.

2. *The Paris Declaration Principles*

Paris has been a helpful guide and NZAID is close to the target of 66% assistance through programme modalities. In the context of Timor-Leste, making a reality of the PD challenges all donors but staff would benefit from a clearer directive to overcome what is a fragmented and piecemeal application of the principles. Greatest progress has been made in education and least in rural livelihoods.

3. *Appropriate Modality, Policy Dialogue and Balance*

Policy dialogue has been facilitated through the higher level modalities although there is unexplored potential because of workload and some tension between the balance of direct and indirect approaches. The modality of strategic partnerships has been under-utilised, in part because it is not yet well defined. Effectiveness can be sharpened by building greater capacity in staff to participate at the higher levels both at Post and in Wellington and across NZAID and MFAT.

4. *Conflict prevention and peace building*

Although there have been some good responses to episodes of conflict the virtual absence of intentionality to mainstream conflict prevention and peace building is less positive. Most projects are 'conflict-blind' in a country where the prospects for ongoing conflict are high. None of the strategies for Timor-Leste address the conflict

as an issue and the approach is more consistent with business as usual in a development context rather than a fragile state.

5. *Comparative advantage*

In the context of Timor-Leste as a new country there is a need for a sharpened and relevant framework in which to operate with precision rather than generality. Working in the spirit of Paris requires an approach which avoids the tendency of niches to result in separate rather than genuinely harmonised projects. There is a strong tendency to equate being 'nice' and 'flexible' and 'responsive' with being 'effective' but this is a weak link which can easily be perpetuated in the absence of comprehensive and consistent monitoring and evaluation. "Fewer, longer, deeper" is likely to result in a more effective response based on learning without unnecessary dilution.

15. *Lessons Learned*

1. *Context is everything*

A strategy is only relevant and helpful if it is based on the particular context. Aiming for a fit with a Regional Strategy, especially in Asia where there is little commonality across a wide range of countries, runs the risk of being supply-led and is counter to the principle of ownership in the Paris Declaration.

2. *Capacity building needs to support Policy*

If NZAID is to deliver on its Policy for Preventing Conflict and Building Peace then capacity building is vital, not only for NZAID staff but also in conjunction with MFAT, NZDF/Mod and the NZP so that New Zealand can deliver an effective "Whole of Government" approach especially in the nexus between security and development.

3. *Mainstreaming is getting missed*

There is a lack of clarity about how and when to mainstream the cross-cutting issues as opposed to developing separate projects for them. This is particularly observable in human rights. If NZAID is aiming for more engagement in the higher modalities there is a need to develop specific tools appropriate to them as the existing project-based tools may not be relevant.

4. *Fewer, longer, deeper is crucial*

Where there are very few human resources, and in a context where New Zealand is a small donor, it is ineffective to fund and manage many activities, especially if they are unrelated and labour intensive. Focus and specialisation is necessary in order that staff can build the greater understanding and skills which are pre-requisites for effective development assistance in a post-conflict context.

5. *Comparative advantage is something you build rather than bring*

Comparative advantage, in a new country and a country new to NZAID is not about bringing something from outside that has worked or been appreciated elsewhere. Rather it is about building relationships and establishing credibility based on a sound approach and a willingness to learn.

6. *Balance is a governance issue*

The lack of rationale for balance within a programme highlights the important governance issue of what the important governance relationships are in a country. Good governance is achieved through a nexus of Government, civil society and the private sector. Since this can only be managed by Government it is likely to be more effective for NZAID to seek to strengthen those relationships rather than to form them directly.

16. *Recommendations for Future Development Assistance*

1. *Develop a strategy based on context*

The new Strategy should be based specifically on the context in Timor-Leste as in the first principle for good international engagement in fragile states “take context as a starting point”. The Strategy would include:

- A shared view of the strategic response based on firm commitment to the principles of Paris
- Clarity on the purpose and means of capacity development
- Clarity on the purpose and means of engaging with civil society and a rationale for ‘balance’
- Identification of the modalities that best suit purpose
- Clarity on how cross-cutting issues will be mainstreamed

2. *Make a reality of conflict prevention and peace building*

The future strategy should aim to operationalise relevant focus areas of the NZAID Policy *Preventing Conflict and Building Peace*. This will require a shared “Whole of Government” analysis and a substantive dialogue between MFAT, NZP and NZAID to identify respective roles and potential synergies. Within NZAID there needs to be development of appropriate tools to guide staff and build their capacity to programme appropriately, an analysis of lessons learned in other post-conflict situations NZAID is engaged with, ongoing and managed dialogue between agencies at Post, and an increase in specialist support from the SAEG.

3. *Move from Supply-leading to Demand-leading in Sectors*

Support in Education should be extended as opportunities arise. Particular consideration should be given to joint funding in the World Bank/AusAID programme which would give NZAID an additional seat at the policy table and enable greater harmonisation based on lessons learned in each. Rural livelihoods should either be dropped from the forthcoming Strategy or situated meaningfully within sector approaches or programmes of strategic partners. This would reduce additional burden on programme personnel and demonstrate commitment to making a reality of Strategic Partnerships.

4. *Make a reality of ‘Fewer, Longer, Deeper’*

The aim of ‘fewer, longer, deeper’ should be formalised and structured into programme planning. Ideally no single or short term activities would be undertaken outside humanitarian response (fewer and longer) and new activities would build on existing ones (deeper and bigger). At the same time there should be increased focus on ‘better’ with improved monitoring and evaluation of all programme interventions.

MAIN REPORT

2.0 Background

Timor-Leste has made significant gains in social and political development since achieving full independence in 2002. However, the small nation is the poorest country in Asia with approximately 40% of the population living with incomes of less than 55c per person per day¹. After a period of stability in the early years after independence the country experienced political turbulence and insecurity with a range of social problems which culminated in April 2006 when the state came close to collapse and 15% of the population were displaced. The breakdown in law and order continued in the period leading up to the national elections in 2007 although they were considered free and fair and led to the formation of a new Government. In early February 2008 the President, Jose Ramos Horta was shot by rebels, demonstrating further that grievances remain unresolved and the potential for violence in the years to come is high.

New Zealand has played a modest role in Timor-Leste since 1999 with several government departments playing a role. Official development assistance (ODA) is small compared with many donors and resources for programme administration are limited. Bilateral expenditure from July 2001 to June 2007 totalled just under NZ\$20 million and NZAID's total expenditure is around NZ\$27 million. In 2005 the Consulate-General was upgraded to full Embassy status reflecting New Zealand's intention to maintain a long term relationship with Timor-Leste.

This Review was originally scheduled for 2005 to review the interim Country Strategy for Timor-Leste developed in 2003. However, the Review was postponed following the crisis in 2006 and then again in the run up to the elections so it is only in early 2008 that the situation has been conducive to the Review taking place.

The purpose of the Review is to draw pertinent lessons from NZAID's programme of assistance to Timor-Leste for the period 2001-07 which will inform the development of a new country strategy and, in particular, the choice of the most effective and appropriate modalities.

The objectives are:

1. To distil learning in the areas of capacity development, the principles of the Paris Declaration, policy dialogue, appropriate aid modalities, conflict prevention and peace building and New Zealand's area of comparative advantage.
2. On the basis of the above, make recommendations for New Zealand's future development assistance to Timor-Leste

The scope of the Review is the relative effectiveness of aid modalities in responding to Timor-Leste's development needs. It is beyond the scope to establish development

¹ UNDP (2006) *Timor-Leste Human Development Report*

effectiveness or impact of individual programme activities. Also excluded is the Social and Community Development Fund (SCDF) which was the subject of a separate review.

The Review took place in February/March 2008 with a two week period in Wellington for documentation review and interviews followed by a two week visit to Timor-Leste.

3.0 Methodology

This review is slightly different from the usual form in that it is essentially looking at modalities and the way in which NZAID has approached the programme rather than at development effectiveness. Therefore, whilst the reviewers aimed to be rigorous in their collection and analysis of evidence there was less emphasis on issues of validity and reliability. Documents consulted were primarily internal NZAID ones, supported by evaluations undertaken by other donors where relevant and available.

The methodology is presented in the Review Plan in Annex 4. The main stakeholders consulted were NZAID staff, GoTL, other donors who knew of NZAID's work, MFAT staff and a small number of organisations receiving NZAID funding. The latter were selected on the basis of whether they would have an informed opinion on particular review questions.

The team consisted of two independent international consultants, balanced by gender. Although the initial aim was to have a Timorese consultant, no suitable person was available. The approach of the team was informed by international evaluation ethics and was in the spirit of learning rather than critiquing. This was deemed particularly important given the pressures under which the programme has operated. Quality assurance was sought through de-briefing where possible and through stakeholder comments on the first draft which would be incorporated in the final version of the report.

The definitions used for modalities are those currently being developed by NZAID and are therefore not yet definitive. However, they form a useful way of positioning the various projects that were selected for review by NZAID. The inputs to education have been categorised as Sector Level, although the new project is actually an NZAID-managed Project, because no genuinely sector-level programming is currently possible.

4.0 Findings

4.1 *Which modalities, or mix of modalities, are most successful in facilitating ownership and alignment with Timorese plans and systems?*

The commitments of the Paris Declaration (PD or Paris) are precisely defined in the 2005 document. Ownership means that partner countries exercise effective leadership over their development policies and strategies and coordinate development actions. However, interpretations of all commitments vary widely both among and within donor and multilateral agencies. The term 'ownership' has been in popular usage for many years either to describe donor projects which have been approved by governments or as something which should be

built during the project to ensure sustainability once donor funding ends. In the PD the meaning is fundamentally different in that national strategies are the starting point.

Alignment is defined in the PD as donors basing their overall support on partner countries national development strategies, institutions, and procedures. Full alignment is not yet possible in Timor-Leste because, although the NDP and SIPs are in place, the capacity of the institutions to implement them and the robustness of the financial management, audit and procurement systems is rudimentary.

In the context of Timor-Leste, meeting the commitments of the PD is extremely challenging for both GoTL and donors because the building blocks of effective government are still being put in place and there continues to be high reliance on TA (technical assistance) at both strategy and operational level. Judgements about how each of the modalities used by NZAID support ownership and alignment are therefore based on what is possible and reasonable only six years from independence. Table 1 summarises how each modality fares in terms of ownership and alignment, and the narrative following the table describes in detail.

Table 1: Comparison of NZAID modalities in terms of Ownership and Alignment

Modality	Project	Ownership <i>Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions Donors commit to respect country leadership and help strengthen their capacity to exercise it</i>	Alignment <i>Donors base their support on partner countries' national development strategies, institutions and procedures</i>
Macro Policy Support	CSP	Principal forum of dialogue between government and development partners. Ownership is high	Support consistent with NDP Alignment is high
Sector Level Programme	Education	Aims to build capacity in GoTL to understand and own the range of sector initiatives and activities Ownership is high	Aims to strengthen country management Alignment is high
Strategic Partnership	UNDP -DAS -Dev Rosts -Provedor	DAS provided GoTL with a quick response mechanism for short term policy advice and TA Ownership is medium	Supports national strategies through TA but scattered Alignment is medium
NZAID-facilitated Project	Scholarships SCDF	Do not support ownership	Not aligned
	MoH secondments	Indirectly supports ownership	Not aligned
Partner-managed Project	JSMP CARE	Do not support ownership	Not aligned
	Fred Hollows TA Statistics	Provides highly technical support Ownership is low	Supports small component of strategy Alignment is medium

At Macro Policy Support level the Consolidated Support Program (CSP), as successor to the Transition Support Program, has focused on an annual cross-government results matrix and

been the principal instrument for policy dialogue between GoTL and its development partners. Although it has been praised by GoTL for respecting ownership² there has also been a concern that the rigorous monitoring and review process creates an impression of external pressure and a possible reduction of sovereignty³. Whilst this is clearly problematic it is also recognised by all stakeholders to be the inevitable cost of a predictable flow of funds that finances a budget deficit. To the extent that the CSP focused on three of the National Development Plan (NDP) priorities – good governance, service delivery, and job creation - it was designed to support ownership. However, the difficulty of actually building ownership was acknowledged in an evaluation of the TFET which stated that the architecture built up under the UN Transitional Administration (UNTAET) had not facilitated it and that success across all agencies had been patchy with the best outcomes in agriculture, education and health.⁴ The CSP has built on the Government's own planning process and incorporated the priority actions of the SIPs as they have developed. Where ownership has been strong, progress has been made but where policy actions were not originally or subsequently part of the Government's Annual Action Plans, they rarely advanced.⁵ This highlights the point that success is most likely where policy is owned rather than introduced from outside.

In terms of alignment the CSP has been pivotal as the backbone of donor coordination with responsibility for shared by the Ministers of Planning and Finance, and Foreign Affairs. Sector Working Groups have been established to coordinate implementation of the Sector Investment Programs (SIPs) and Development Partner Meetings were held annually to 2006 and then disrupted by the crisis of April 06 until March 08. Use of country systems is under-developed because financial management and procurement systems are an early stage and budget execution has been poor because of over-centralisation.⁶ Project Implementation Units, established by donors in the early days are now steadily being integrated into line ministries. There is therefore slow but steady progress towards the goal of alignment.

At Sector Level Programme the design of NZAID's education support aimed explicitly to build the capacity of the Ministry of Education (MoE) to manage and implement the Sector Investment Plan (SIP) through the placement of an Advisor who would support the process of developing ownership. In the education sector progress has been moderate. Several new initiatives, such as Fast Track Education for All, Universal Primary Completion and an Education Management Information System, have been introduced but budget execution has been poor due to weak capacity in the Ministry. Therefore, although NZAID's support is important in terms of supporting ownership and alignment, it has been slow in developing and is modest in its contribution.

At Strategic Partnership Level NZAID's support to UNDP for the Development Advisory Services (DAS) and Development Posts rates medium. This is because, especially under DAS, the TA was short term and there has subsequently been considerable evidence that this tends to replace capacity rather than build it. Although Advisors work within Government systems, many of them, especially in the early days, have been responsible for developing new systems which has often happened in isolation and resulted in systems that are inappropriate. Support to the Office of the Provider rates more strongly on ownership

² World Bank Country Assistance Strategy 06-08

³ Program Assistance: Timor-Leste Country Case Study. USAID Evaluation Paper no5. June 2005

⁴ Evaluation Report: Timor-Leste . European Commission. Oct 2004

⁵ Implementation and Completion Report for the TSP. World Bank. June 2007

⁶ World Bank Draft Country Profile. Aug 2006

because the organisation is clear about the direction it wants to take on human rights and backlogs have been reduced.

The other modalities do not support ownership and are not aligned with Government systems. Both NZAID-facilitated projects and Partner-managed Projects are, by definition, owned by NZAID and are implemented outside government structures. The MoH secondments, in which two officials spent time in New Zealand learning English and being exposed to a well-functioning health system, had some degree of ownership as they were requested by the Minister. However, the connection between the secondments and improved ownership is indirect and the two officials have subsequently been sidelined by the new Government. This experience demonstrates the fragility of ownership overall at this stage in the development of Timor-Leste. TA support to the Department of Statistics demonstrated some degree of ownership and alignment in that it was aligned with sector plans. However, the nature of the support was highly technical and focused on a small number of personnel whose role is operational.

It is clear, therefore, that the two higher tier modalities, Policy Level Support and Sector Level Programme, are the ones which are, by design, supportive of ownership and alignment. This does not mean that the outcomes are necessarily sustainable although there is sufficient evidence that the progress being made is positive. For donors one of the key issues has been the desire to see progress at a pace which is faster than is realistic given the enormous challenges of building capacity.

For NZAID there is an additional issue. Over and above funding, the effectiveness of any modality is in part dependent on the advice provided and NZAID has been severely constrained in human resources. The World Bank and Irish Aid were complimentary about the role played by the NZAID Manager in Dili in terms of contribution to debate at CSP meetings and within the Education sector. However although the DPM has sought to ensure a meaningful contribution, the time and additional advisory resources available to her have been a clear constraint to the ability of NZAID to play a stronger role. This point is discussed in later sections in more detail.

4.2 Which modalities, or mix of modalities, have enabled NZAID to effectively harmonise with other partners programmes?

The desired outcome in the PD is that donors' actions are more harmonised, transparent and collectively effective. This commits donors to, amongst other things, implement common country arrangements for planning, funding, monitoring and evaluation and reporting to government. Increased use of programme-based modalities is incorporated in Indicator 9 to achieve this. Indicator 10 is about working together to reduce the number of separate missions and diagnostic reviews, and seeking to share lessons learned and building a community of practice. Noteworthy for NZAID (in the context of this review and the question about comparative advantage) is the partner country commitment to provide clear views on donors' comparative advantage and how to achieve complementarity at country or sector level.

Table 2: Comparison of NZAID modalities in terms of Harmonisation

Modality	Activity	How Harmonisation is Achieved	
Macro Policy Support	CSP	CSP has been seen as the backbone of donor coordination Responsibility for coordination shared by two Ministers Sector Working Groups coordinate implementation of SIPs Development Partner Meetings, annual to 06 and Mar 08	Strong
Sector Level Programme	Education	Donors not harmonised but dialogue occurs between World Bank and NZAID NZAID Education Advisers work on central Ministry systems Coordination between all advisers of all donors poor	Medium to Weak
Strategic Partnership	UNDP -DAS -Dev Posts -Provedoria	Donors fund UNDP projects and lead on partnership with GoTL. NZAID sat on Working Committee for DAS but Steering Committee never convened NZAID relies on UNDP to initiate meetings	Weak
NZAID-facilitated Project	Scholarships SCDF MoH secondments	Scholarships and SCDF are NZAID projects No coordination with other donors in MoH for secondments	None
Partner-managed Project	J SMP CARE Fred Hollows	NZAID projects	None
TA	Statistics	Single adviser – no coordination with other donors	None

From the table it can be seen that only the three higher order modalities support harmonisation.

At Macro Policy Support Level the CSP made the principles of the PD central to the programme design and this facilitated frequent discussion among donors which has resulted in a USAID evaluation concluding that harmonisation was reportedly excellent⁷. There are twice monthly Round Table meetings in which NZAID participates, as well as being involved in many informal meetings on specific issues. High priority has been attached to these meetings 'because they have the ear of Government'. With a rotating Chair the CSP ensures that all contributing donors participate on an equal basis and the forum has been given increasing importance by both GoTL and donors as a means of harmonisation since the 2006 crisis which forced donors to acknowledge that conflict had not disappeared as a result of independence and that a different approach was needed.

At Sector Level Programme, in the Education sector, harmonisation has been very poor although it is improving and NZAID, with four advisers based in the MoE, is now able to participate in attempts to coordinate assistance. Harmonisation has a long and difficult history. In 2005/06 there were eight donors who were neither aligned with Government nor harmonised in their assistance. The World Bank commenced a Fast Track Initiative, which had limited ownership from Government but served the purpose of stimulating donor discussion in regular monthly meetings chaired by the Minister of Education. An analysis of assistance identified 27 inconsistent projects which placed the floodlight on donors and created a forum through which a harmonised approach became a possibility. In a highly politicised environment, with turf wars between the major players over such components as

⁷ USAID op cit

curriculum and language, NZAID placed a consultant to scope potential and was deemed to be sufficiently small and neutral to be well suited to supporting the core ministry. Although it has taken a long time to develop, a programme based on core management issues is emerging and there are currently four advisers based in the MoE. Whilst education continues to be a political sector, and donor-supported adviser inputs seem mostly to operate in silos without clear impact, NZAID has the potential to support MoE capacity to regain ownership and promote alignment and harmonisation.

At Strategic Partnership Level donors contributing to a UNDP programme are, in theory, harmonised because UNDP works directly with the Government. However, in practice, some UNDP projects are run in parallel through the Direct Execution modality where government capacity is weak. In Timor-Leste both projects which provide TA to the Government are managed by UNDP with little buy-in from GoTL. In the case of DAS the Steering Committee was never convened because there was little interest at the political level, most probably because short term support was not considered strategically important.⁸ In the Development Posts project, NZAID supports United Nations Volunteers as advisers and the same lack of engagement is likely as United Nations Volunteers (UNVs) are seen as junior positions. The Support to the Provedoria is likely to have more impact because the Office has strong leadership and several donors fund the project so the potential for harmonisation is greater. NZAID, to date, has relied on UNDP to manage the projects without committing significant staff time. It is likely that more inputs from NZAID could have worked to achieve greater harmonisation through UNDP.

In the lower order modalities the projects are owned by NZAID and, whilst broadly in keeping with the NDP, are not designed to be owned by or aligned with GoTL nor is there scope for harmonisation as NZAID is the sole donor.

Even in the modalities of Macro Policy Support and Sector Level Programme there are formidable barriers to harmonisation. Donors often have conflicting mandates and may be driven by political objectives rather than, or as well as, development ones. Many donors, including New Zealand, are keen to maintain visibility by having their contribution tagged which is contrary to the spirit of the PD. Aside from donors, the very lack of capacity which renders donor assistance essential means that GoTL is able neither to lead alignment with its own NDP without assistance nor to facilitate donors to harmonise. Notwithstanding this, it is clear that commitment to the PD is a strong motivating force for some donors and is strongly supported by the World Bank. It is therefore helpful and effective for NZAID to continue to work in the higher modalities, especially as the PD notes that harmonisation is all the more crucial in fragile states in the absence of strong government leadership. In particular donors commit to focus on upstream analysis, joint assessments and joint strategies. These are particularly relevant to NZAID since the small size of the agency generally militates against independent analysis and funding yet analysis and assessment are essential for rigorous programme development.

⁸ Development Advisory Services: Project Final Report. UNDP. 2007

4.3 How has NZAID's approach facilitated or hindered commitments to manage resources and improve decision making for results, and to mutual accountability?

At present there is insufficient information to determine whether NZAID's approach has impacted on commitments to manage resources and mutual accountability, where this is defined as managing and implementing aid in a way that focuses on the desired results and uses information to improve decision making. NZAID is a relatively new agency and is in the process of refining its own results-oriented reporting and assessment frameworks to monitor progress. In Timor-Leste the programme was managed initially by the Consul General and only in the last two years with a resident NZAID Manager who, like her Wellington counterpart, has been only half time. Working in extremely trying circumstances, delivering a programme which supports long term development whilst also being responsive to short term initiatives, it would have been very difficult to give sufficient priority to this PD commitment to make a difference.

More generally this commitment is a major challenge to all donors. The World Bank records that, although the quality and availability of data to monitor progress and inform decision making is improving, its use and circulation across government institutions remains an open challenge⁹. Action has been taken to increase access to information on Government policies, including distribution to all households of a popular version of the NDP, but low literacy rates and limited knowledge of one of the official languages poses significant challenges. In terms of establishing a country-level monitoring and evaluation system the Transition Support Programme (TSP) and the CSP have provided the basis for reporting. These are monitored quarterly and reported on to the Council of Ministers. At present there are no indicators aimed at assessing measures taken by both Government and external partners for increased aid effectiveness in line with the PD.

NZAID's approach has therefore neither facilitated nor hindered commitments to manage resources and improve decision making for results. It is a highly challenging undertaking and one suited to leadership by the World Bank and larger donors such as AusAID. However, NZAID may have been able to play a useful role in supporting AusAID to prioritise.

4.4 How have program shape and modalities facilitated or obstructed NZAID's core business of providing policy advice on ways to eliminate poverty?

Providing policy advice on poverty elimination is a very high level goal in a country as complex as Timor-Leste, and in which larger donors are better suited to developing frameworks, policies and strategies. Although this is explicit in the NZAID Guiding Principles and the Asia Strategy, none of the project-level documents consulted for the Review explicitly mentioned poverty elimination. To a large extent this is assumed as it is the stated business of most development partners who implicitly buy into it through the MDGs

⁹ Draft Country Profile op cit

and the GoTL NDP which is explicitly pro-poor. Finding opportunities for NZAID, as a small donor, to make a meaningful contribution is therefore challenging.

Modalities

As described in the previous section, the choice of modalities has clearly affected NZAID's opportunity to provide policy advice. The greatest opportunity is at Macro Policy level where donors meet twice monthly and quarterly with GoTL to discuss budget support to enable implementation of the NDP. These meetings require extensive knowledge of the context and considerable preparation if participation is to be meaningful. In allocating approximately 20% of her time¹⁰ at this level the NZAID Manager has sought to ensure the maximum input for NZAID from Post although the time is still insufficient to understand the issues and contribute fully. In part because of the short time frames between receiving documents and the deadline for comment there is little time for the Wellington team to provide inputs which limits the effectiveness of NZAID's contribution. If there is an opportunity for NZAID to 'punch above its weight', which was a comment heard frequently from NZAID staff, providing in-depth policy advice through the higher modalities is the most conducive method although it is not yet fully maximised.

At Sector Programme level NZAID has identified a role in core management within the MoE. Whilst this does not directly influence policy-making, it is a crucial role in terms of policy implementation. It is relatively easy to develop policy and the strategies that will support it but, as NZAID knows from its own experience, it is the implementation of policy which is the most challenging and the most likely to fail. Since there are a plethora of policies and strategies which support the NDP, implementation demands prioritisation among conflicting or competing choices. In choosing this particular role in this modality, NZAID is likely to gain considerable insight into the issues around implementation which would be relevant in other ministries. However, in terms of workload, this modality has consumed about 30% each of the time of the DPM in Wellington and the NZAID Manager in Dili, a total of 60% of one full time person. Some of this can be accounted for in that the programme is still under design but it appears excessive especially if measured against spend which is small in comparison with the CSP (see table 3).

At Strategic Partnership level the main opportunity to contribute to policy development is through the UNDAF (Development Assistance Framework). Again the NZAID Manager participated and her contributions were both noted and appreciated by UNDP. This is an important forum for GoTL although the fact that the workshop was held in English severely restricted participation.

Below this level there are few, if any, opportunities to engage in policy discussion around poverty reduction.

Human Resources and Workload

The shape of the programme is in part determined by the available human resources. The Timor-Leste program commenced with only the Consul-General in Dili and a part-time DPM in Wellington. Over the last two years there has been only one full-time international person allocation – half time each for the DPM in Wellington and the NZAID Manager in Dili – and

¹⁰ This is actually only 10% overall as her role has been split 50:50 with Embassy business

one full-time locally-engaged Development Programme Officer (DPO). Although the DPA has recently been upgraded to a Development Programme Coordinator (DPC), her workload, which includes a high degree of administration, has not yet changed and will not do so unless the programme shape changes or an administrator is recruited. Table 3 below presents a very rough analysis of the percentage of time spent by each staff member in each modality. It is intended to be purely indicative for the purpose of discussion.

Table 3: Staff Workload in relation to Modality and Spend

	DPM Wellington	NZAID Manager Dili	DPC Dili	Av staff time	Av % Spend in 3 years (2004-07)
Macro Policy Support	5	20	1	13	45
Sector level Programme	25-30	30	2	30	3
Strategic Partnership	5-10	20	5	16	12
NZAID-facilitated projects	5-10	10	85	52	28
Partner-managed Projects	<10	8	5	10	16
TA	<1	<1	-		1

NB: These figures are based on an estimate of time spent in each modality by the individuals. For this reason each column may not add up to 100%, especially for the DPM who spends considerable time on wider NZAID business. The average staff time column also adds up to 120% but aims to provide an approximation of balance between modalities rather than to be accurate. The percentage quoted as average spend is as a proportion of the total spend on the projects considered by the Review, not as a total of all spend (see Annex 3 for calculations)

Several points stand out from the table:

- 70% of the time spent by the NZAID Manager in Dili is in the higher three modalities where there is an opportunity to influence policy
- 85% of the DPC's time is spent on NZAID facilitated projects, notably scholarships and the Social and Community Development Fund (SCDF)
- The DPM and NZAID Manager each spend 30% of their time on education. This appears disproportionate to spend, which has averaged approximately 3% over the last three years
- Half the total staff time is spent on NZAID-facilitated projects which amount to 28% of spend

The reviewers also considered the extent to which staff time within each modality comprised upstream work, related to the substantive business of engaging in policy-level issues, compared with downstream work, which was essentially administrative. For the DPM and NZAID Manager the bulk of the work appears to be upstream and consistent with their positions although the downstream administrative burden appears higher for the DPM.

Overall both staff feel they do not have enough time to engage fully in the more upstream work such as the CSP and Education programme. Probably the only solution to this lies in the 'fewer, longer, deeper' approach as, although the reviewers did not look at all activities, it is clear that there are many small activities which inevitably incur high transaction costs.

Scholarships and SCDF consume most of the time of the DPC. Scholarships are politically popular both in New Zealand and in Timor-Leste and offer an opportunity for a small number of people (currently six per year) to attain a world class education and experience of a

developed country. For the long term development of Timor-Leste this is a valuable way to build capacity but the associated administration consumes almost half the time of the DPC which results in a programme that is high cost in both financial and human resource terms. At present the administration of applications is done by an AusAID Managing Contractor (MC) alongside applications for Australia. Whilst NZAID has a number of concerns about whether it attracts enough high calibre applicants for New Zealand, taking the function back in-house would be unlikely to produce a better result and would consume even more time. Most of the NZAID workload appears after the scholars have been selected by the AusAID MC and relate to briefing. Whilst it was clear to the reviewers that the standard set for pre-departure briefing was very high and would be of great value to the scholars, it is likely that the MC could take on most of this role and thereby free the time of the DPC.

The SCDF has been the subject of a separate review and is outside the scope of this one. It is understood that the case was made for 'fewer, longer, deeper', and that is likely to improve aid effectiveness. However, if one of the objectives is to deepen partnerships, it cannot be assumed that this approach would result in a less burdensome workload and it could in fact result in more work if monitoring is increased to improve quality.

Programme Shape

Programme shape has been determined mainly by the various NZAID policies and strategies:

NZAID Policy Statement	2002	Guides NZAID to work with local partners and other agencies including governments, civil society organisations, communities and other donors. Values include being responsive, practical, flexible and strategic
NZAID Five Year Strategy	2004-09	Defines the partnership approach based on local ownership and mutual respect and accountability between development agencies and country partners. High level outcomes are defined in terms of development impact, engagement (including harmonisation) and agency capability. In particular it is noted that NZAID, as the smallest OECD development programme, can only have an impact on poverty if it is very focused in its efforts
Asia Strategy	2004	Identifies a focus on sustainable rural livelihoods, complemented by initiatives in other sectors such as education and health and with the cross-cutting themes of gender equity, environment, HIV/AIDS, good governance and human rights
Timor-Leste Country Strategy	2003	Committed NZAID, on the basis of its small size, to a 'simple but focussed' strategy in the two sectors of education and community development (in a specified geographical area) which would be under-pinned by governance, institutional and human resource capacity building. It was an interim strategy, pending a planned Review in 2004/05, and essentially envisaged two large projects compared with the 2001 Strategy which had also included natural resource development and governance as sectors.

Although there is repeated reference in most documents to the need for a focused approach in order to be effective, the Timor-Leste programme has not yet managed to achieve it. Although education and rural livelihoods are seen as the two sectors, the means of achieving them are somewhat scattered and there are thematic areas around governance and human rights which are separate initiatives rather than cross-cutting as originally envisaged.

In addition to the specific NZAID policies and strategies there are also international agreements, such as the Paris Declaration of 2005, to which New Zealand is a signatory and which commits New Zealand to new ways of working. Complementary to the PD, and intended to be mainstreamed within it, are principles for good international engagement in fragile states¹¹. Fragile states are defined as different from better performing countries in that they confront particularly severe development challenges such as weak governance, limited administrative capacity, persistent social tensions and violence. In such contexts the need for different approaches, instruments and skill sets is recognised as well as long term investment. Of the ten principles, the most relevant for this Review are:

- *Take context as a starting point* – it is essential to understand the specific context and the different constraints of capacity, political will and legitimacy. Sound political analysis is needed and blue-print approaches avoided.
- *Focus on state building as the central objective* – concerted, sustained and focused on building the relationship between the state and society through 1) supporting legitimacy and accountability of states by addressing issues of democratic governance, human rights, civil society engagement and peace building 2) strengthening the capability of states to fulfil their core functions in order to reduce poverty
- *Prioritise prevention* – greater emphasis will include shared risk analysis, looking beyond quick-fix solutions and strengthening indigenous capacities for peace
- *Recognise the links between political, security and development objectives* – the challenges faced are multi-dimensional and require a whole of government approach aiming for policy coherence and joined-up strategies
- *Promote non-discrimination as a basis for inclusive and stable societies* – interventions should consistently promote gender equity, social inclusion and human rights as long term strategies to prevent fragility
- *Act fast but stay engaged long enough to give success a chance* – assistance must be flexible enough to respond to changing conditions and windows of opportunity but, because of low capacity, needs to be of longer duration. Capacity development in core institutions requires at least 10 years

The reason for describing all these policies, strategies and principles is to demonstrate the vast array of considerations for those staff charged with developing programme shape. Considering the human resource constraints, and the repeated disruptions after the crisis of April 2006, staff have done very well to establish a programme which approximates to what was intended. But, overall, there are too many aspects and influences potentially shaping the programme with the result that it tends to resemble a disparate bag of interventions which are grouped around themes rather than two sectoral projects with cross-cutting themes mainstreamed within them. Cross-cutting themes can only be done well through consistent, focused, and well articulated methodologies using specially designed tools. Gender, for example, was not included in the Terms of Reference of the Review nor was it mentioned as a strategic priority by staff at NZAID.

Program shape has also been influenced by how deeply NZAID has understood the context. Placing an Adviser in the MoE in order to scope out potential assistance was a sound approach when the environment was still very confused and NZAID had no-one on the

¹¹ OECD DAC *Fragile States: Policy Commitment and Principles for Good International Engagement in Fragile States and Situations*. 2007

ground to gain an understanding of context. Although there have been long delays as a result of the conflict, the design of a three year project is nearing completion. In contrast, the rural livelihoods programme is still at the scoping stage and is dependent on NZAID staff who travel infrequently and cannot possibly gain sufficient understanding of the context. In particular it has been difficult to get engagement within relevant Ministries and that, combined with a perception that they are poorly-performing, may result in a focus on civil society rather than Government.

Finding a role, in a crowded donor environment, with changes of government and ongoing conflict is very challenging but there is no substitute for being on the ground, working in the Ministry and gradually getting to understand how things work and how NZAID might contribute. In such contexts programme shape tends to result from engagement and is based on the flexibility to let go of an agency's own agenda in favour of the one owned by Government. Where the agency is supply-led, in terms of seeking to develop a sectoral project in line with its own strategy even where there is no evident demand, there is a danger that the Paris principles of ownership and alignment will be undermined and the resulting project less effective. Shape is therefore a delicate balance between delivering on the commitments of the agency compared with supporting the agenda of government and the multilateral agencies.

Making a reality of ownership also means engaging with Government even where the approach they are taking may not seem consistent with what NZAID considers to be best practice or where the Ministry is weak. NZAID, like all donors, would like to see results for its investment but the road to capacity development is a long and difficult one which requires a supportive rather than a critical approach. These are the complex and difficult challenges which are the hidden face of the PD.

Programme shape has also been determined by the interests and motivations of individuals, by political imperatives, and by a desire to say 'yes'. In a context of conflict, especially acute crises, it is a common response to want to be immediately responsive and show quick impact. This has been the case in the Timor-Leste programme where the Head of Mission has been openly critical of the time spent by donors on strategy development at central government level, and has increased the funding available to civil society and community organisations through the Head of Mission Fund (HoMF). This may have merit but it has impacted on staff time and so has an opportunity cost. One of the weaknesses of both the SCDF and the HoMF is that the activities funded are not properly monitored. Unfortunately some staff do not see this as a significant problem because the amounts of money are deemed small. However, this is a potentially flawed assumption because small grants are often extorted by the powerful in a community or can cause other forms of conflict. Fund evaporation in a country characterised by a mushrooming of NGOs is also a concern. One of the guiding principles for humanitarian aid is to do no harm.¹²

The tendency to say 'yes' rather than 'no' seems to stem from NZAID's desire to be seen as responsive and flexible. This is particularly true where there is a New Zealand connection such as the funding of TA in the Statistics Department and of a position in the World Bank. It also led to the MoH secondments because the then Minister of Health was a University of Otago graduate. Whilst all of these are worthy in themselves and each appears, to various

¹² Mentioned by the Program Director of CARE as an issue along with the reluctance of small NGOs funded by donors to engage in capacity development workshops with CARE unless they are paid to do so, and the potential reduction in volunteerism where communities are paid to do tasks they would normally do free.

degrees, to have some positive outcome, they generate a workload which may be significant and which has an opportunity cost in detracting staff from the core business of providing policy advice. At Post the increasing number of small grants means that the DPC rarely engages at government level and this is certainly a missed opportunity to gain the Timorese perspective on issues and for NZAID to contribute policy advice.

4.5 What are the critical success (or failure) factors beyond modality?

Focus

Several factors determine the success or failure of NZAID's programme in Timor-Leste. The main one is how well NZAID is able to focus the programme so that the relatively small financial and human resources are maximised. Timor-Leste is a country in transition from a long independence war and the early hopes for prosperity and peace have given way to fear and pessimism about the future as old rivalries and tensions within society re-emerge. Basic governance capabilities, such as managing conflict before it escalates into violence, are undeveloped and progress in building more technical capabilities, such as developing macro-economic policies and delivering basic services has been much slower than anticipated. This is true for both GoTL and donors but the speed with which donors expect to see change, in these results-driven days, is wholly unrealistic. The World Bank states that establishing a well-functioning state will take decades.

Relationship with MFAT

The MFAT Revised Medium term Strategy, produced after the April 2006 crisis, gives a succinct analysis of the societal, political and economic issues. Whilst it sees a useful role for NZAID it notes the small budget compared with, for example, Australia and sees it in New Zealand's interest to support a long term UN presence. With renewed awareness of the fragility of security it is timely to review how New Zealand will make a reality of the Whole of Government approach that will be essential in delivering a good overall programme.

Language

A significant factor affecting NZAID's effectiveness is the issue of language. Timor-Leste is complex in having official languages that are spoken by few other countries and, at the same time, having a population which is mostly unfamiliar with Portuguese and non-literate in Tetum. This poses a huge challenge to all donors and seriously limits ownership because most documents are produced and discussed in English. Even UNDP's consultation for the UNDAF, which is a major opportunity for GoTL to influence, was in English and, even where there is translation, the skill base is low and a much of the meaning may be lost or misinterpreted. The Adviser in Trade Statistics commented how much time was taken up, and how much confusion prevailed, in meetings which were translated between Portuguese, English, Tetum and Bahasa Indonesia.

Human Resources

The NZAID programme is very small and the human resources allocated to it very limited, as has been noted earlier in this report. Although the NZAID Manager at Post has been made a full time position, which will clearly have an impact, the size and diversity of the programme will be a limiting factor in effectiveness. If the staff resources cannot be increased it is incumbent on NZAID to re-orient the programme in line with the human resources available. During the Review there was mention of the possible recruitment of an Administrator so that

the DPC can meet her terms of reference. On the surface of things this is an attractive option but it would benefit from greater analysis. An extra staff member is a major resource so it is important to take measures in favour of 'fewer, longer, deeper' before committing to a new job description. For example, much of scholarships and SCDF is deemed to be administration but there are other options to manage that such as greater contracting out of functions.

4.6 Which modalities are most successful in developing adequate country capacity in a sustainable manner?

All modalities offer the potential to develop capacity. The main variation is in how explicit capacity building is within a modality and whether there is a framework to guide it.

Table 4: Capacity development by Modality

Modality	Project	How capacity development is defined and supported	Rating
Macro Policy Support	CSP	Builds capacity through dialogue on policy design and implementation and monitoring of results The TSP aimed to build sufficient capacity to manage future oil and gas revenues	Strong
Sector Level Programme	Education	Focus on building institutional capacity of the MoE for core management	Strong
Strategic Partnership	UNDP -DAS -Dev Posts -Providoria	All projects explicitly about capacity development. DAS provided short term policy advice and TA to strengthen capacity in public administration and management whereas Development Posts supplied longer term UNVs in education Support to Providoria for capacity in human rights monitoring	Strong
NZAID-facilitated Project	Scholarships SCDF MoH secondments	Scholarships build capacity in individuals in New Zealand SCDF not explicit about capacity development MoH primarily about English language training	Strong Weak Medium
Partner-managed Project	JSMP CARE Fred Hollows	JSMP core funding implicitly supports capacity building One-off gap filling funds Elements of capacity building	Moderate Weak Moderate
TA	Statistics	Combination of capacity building and in-line function	Strong

Macro Policy Level

Capacity development has been an explicit objective in the Trust Fund for East Timor (TFET) and CSP. Two key lessons have emerged from World Bank analyses of progress¹³:

1. Institutional capacity development for sustainable service delivery has advanced much more slowly than physical reconstruction and remains a tremendous challenge with varying progress across the agencies. It needs to be a primary objective.
2. Capacity building has been most effective when part of a clearly defined path for institutional development. If there is strong national leadership with a clear vision ownership is strengthened. In addition, focusing on a small set of sector-wide targets achieves better results than wider spread. The successful agencies developed institutional and legal frameworks with associated systems and processes which allowed them to pursue goals within a well defined structure. Deployment of

¹³ World Bank Country Assistance Strategy. Op cit

international staff, combined with on the job and overseas training of national staff within local systems and processes, and donor support for nationwide capacity building were also important.

A European Commission Evaluation of the TFET¹⁴ observed that it did not significantly improve the country's low institutional capacity. In part this was because donors entrusted initial responsibility for capacity building to UNTAET and subsequently through the UNMISSET Stability Posts and UNDP Development Posts Projects. However, although capacity building is central to all their operations, the World Bank and Asia Development Bank (ADB) did not discuss or agree a modus operandi or a global strategy to jointly address the issue. Capacity building, with the exception of the health sector, was therefore tackled in a piecemeal way without a clear vision or expected results.

Sector Level Programme

The time spent by NZAID in the MoE is limited at the time of the Review so there are no formal lessons learned. However, the model being used is that of adviser-counterpart TA so it is worthwhile looking at the lessons of other agencies with greater experience¹⁵.

Key lessons learned by AusAID are:

- *Long term TA works better than short term (less than one year) because a deep understanding of context is crucial and frequent changes are disruptive. Short term advisers are unduly pressurised to achieve results whereas long term advisers have more flexibility to go with the counterparts' agenda.*
- *Naming the role matters and much confusion has arisen when TA is named as capacity building but is actually in-line or performing a political function. UNDP has placed many advisers in in-line positions but has had to name them as capacity building to operate within the confines of the modality. Overall there is lack of clarity about what is expected – in whom, over what timeframe, how sustainably, and with what impact on performance. Where there are mixed roles, capacity development tends to get subordinated.*
- *Capacity builders need their own capacity built. This has been acknowledged since UNTAET days but donors were reluctant to invest in building the capacity of international staff. Most advisers have technical expertise but no previous experience of training, coaching, mentoring or being a professional role model and this was particularly acute where language was a requirement of the position. Interpersonal skills are also critical. Donors therefore need to do more about building the capacity of the capacity developers.*
- *The mantra of 'no capacity' is unhelpful as labels have a habit of perpetuating misconceptions over time and can serve to undermine confidence and self-esteem in the very people whose capacity is the target of attempts to build it. There are always positive capacities on which to build and, whilst using the past to justify the present is common it should never be used as an obstacle to moving forward. At this stage in Timor-Leste's development there is a need to reconceptualise the situation as it is*

¹⁴ Op cit

¹⁵ *Technical Assistance and capacity development: Discussion Paper* Patricia Lyon and Sue Emmott for AusAID, March 2007

One of the main challenges, common to all sectors but especially in education, is the lack of coordination of TA. All parties agree that coordination is essential, yet it has rarely been achieved practically in a post-conflict context where donors are more prolific and host countries are less well equipped to manage. The result is that, five years after independence, it is impossible to know how many advisers there are, where they are, how long they have been there, and what they are doing. This is one reason why sector level programming is in its infancy. Whilst the NZAID project aims to build MoE capacity to improve the coordination of TA it is a vexed area and there are no easy answers to the conundrum of how to manage much-needed international inputs effectively.

Strategic Partnerships

The following excerpt, from a UN Security Council report, summarises, with refreshing honesty, the experience to date of TA in Timor-Leste.

The 100 advisory positions in UNMISSET and the subsequent 45 similar positions in UNOTIL, together with international advisers provided through UNDP and bilateral partners, have undoubtedly contributed to capacity development in many areas. However, many stakeholders are critical of the returns. Apart from problems linked to the short term nature of UN missions vis a vis the long term challenge of capacity development, the provision of UN advisers was often based more on the suggestions of individual ministers than on an independent technical evaluation of the needs of ministries, affecting the willingness of some advisers to offer independent professional advice representing international good practice. Further, the procedures for recruitment, though transparent, did not always succeed in identifying candidates with the required skill sets and the ability to transfer skills and knowledge to their national counterparts. A preference for advisers fluent in Portuguese is understandable but it limited the pool of candidates. UNMISSET and UNOTIL established performance benchmarks but were not equipped to carry out rigorous performance evaluations based on substantive technical criteria.¹⁶

The performance of UNDP has been much criticised locally but, given the enormity of the challenge, it is not clear whether any other agency could have done better and, for NZAID, it was an important modality through which to support capacity development. In the early days New Zealand placed TA directly in Police, Customs and Corrections but these were then incorporated under UNTAET for sustainability.

UNDP has systematically analysed the lessons learned in the period 2002-06 from the perspective of their management processes, factors within national institutions, and the efficacy of the capacity development model¹⁷:

1. *Management of capacity development processes* Although it had been stressed that capacity development should be conceived in a generational timeframe projects were managed and funded in the short term. Progress could not be measured because effective monitoring and evaluation systems were never established and performance assessments were flawed because counterparts did not have the necessary specialised knowledge and their objectivity could be compromised by personal relationships, political influence and ulterior motives
2. *Factors within national institutions* Because capacity was low, the process of developing it was necessarily slow and hindered by the lack of effective communication and coordination mechanisms and delicate internal politics. There was

¹⁶ UN Security Council: Report of the Secretary General on Timor-Leste pursuant to resolution 1690 (2006)

¹⁷ Institutional Lessons Learned in Capacity development of State Institutions in Timor-Leste 2002-06. Undated

- a large gap in expectations between donors and GoTL and a constant balance was necessary between getting the job done and strengthening capacities.
3. *Limitations of the model* There was over concentration on the skills and knowledge pillar compared with systems and processes, and attitudes and behaviour. In the absence of systems and procedures, knowledge and skill gained through training could not be applied. The effectiveness of the adviser – counterpart model remains doubtful as it is limited in coverage and advisers are often overwhelmed with day to day problem solving. Simpler systems were needed overall because sophisticated systems which ignore local realities serve only to broaden the capacity gap and create a vicious circle of never-ending capacity gaps.

NZAID-facilitated Projects

Scholarships are an important means of building capacity for the long term in that they provide individuals with a world-class education. To date most have returned to Timor-Leste after their study and the three individuals interviewed for the Review are deeply committed to the development of their country. However, they have not found it easy to get appropriate employment nor chosen career options that matched their original intentions. One scholar, having studied human resource management, chose not to return to her public sector position because she saw little opportunity to influence what she saw as a highly negative culture.

This is an important lesson for NZAID because it offers scholarships in certain sectors based on NZAID's programme priorities. However, from the perspective of the Australian Managing Contractor which manages selection for New Zealand, making sectoral fit a criteria is seen as problematic in three respects: it reduces the number of applicants overall, encourages students to apply for a subject they are not committed to just to get an award, and increases students likelihood of wanting to change courses once enrolled. Australian policy is to select the brightest and best regardless of what study they choose on the grounds that it increases the pool of skills for Timor-Leste overall. They argue that this restriction also serves to make New Zealand a second choice for many students.

The Social Community and Development Fund (SCDF) provides financial support to Civil Society Organisations (CSOs) of various size and influence. It was beyond the scope of the Review to systematically assess what levels of capacity building occurred in each of the many projects funded. However, the Review of the SCDF (January 2008) shows that five of the eleven projects have capacity building or training in their project design and these are the larger NGOs or institutions operating in Timor-Leste. The distinctions between capacity building and training are not made in the SCDF Review and from discussions in Timor-Leste the two are used interchangeably. It also appears that capacity building is included by CSOs into project designs as a matter of course in order to capture funding. Importantly, however, is the near absence of a comprehensive monitoring and evaluation system within SCDF. The larger organisations include monitoring and reporting as a rigorous practice, which reflects their existing level of capacity, but this was not true of most other organisations. The quality of capacity building and/or training in the SCDF therefore remains an open question.

The MoH secondments certainly built some capacity in two officials. However, the main focus of the training was English language and it was this that the officials were most appreciative of. One has now gone to Indonesia to complete his Masters Degree which is submitted in English. Exposure to the New Zealand health system was very much secondary, and so far removed from anything they could envisage in Timor-Leste that its value is

questionable. Both officials have also been sidelined since the new Government took office in 2007 which demonstrates the fragility of capacity development where appointments are so highly political even at middle management levels. It is also noteworthy, for this project, that the request was made by the then Minister of Health who was a University of Otago medical graduate. Since NZAID is not involved in the health sector this request might have been turned down and whether it was seen as politically expedient is not clear. However, the secondments came at very high cost both financially and through the very intensive pastoral support provided by the New Zealand Ministry of Health official responsible. She went way beyond the call of duty to ensure that the very ill-prepared secondees were supported over four months.

Support to the New Zealand Police is also funded in this category. Under the mandate of UNMIT, their role is restricted to peace-keeping under a unified command so, although the NZP would welcome a role in the capacity development of the Timor-Leste Police (PNTL) this is currently impossible. There is also a question about the extent to which NZP activities in Timor-Leste are "DAC-able". Certainly the NZP have a great deal to offer in terms of community policing, in which New Zealand is seen as a global leader. However, the challenges of engaging with the PNTL are enormous and there is already longstanding AusAID and Australian Federal Police involvement in the sector.

Partner-managed Projects

Support to JSMP is provided to enable them to develop themselves as an NGO capable of human rights monitoring. However, NZAID provides funding rather than advisory support although support was given to develop the proposal. Monitoring is relatively weak so it would be difficult to identify and report on impact. There is also no formal contact with the other donors who fund JSMP and therefore no lesson learning about their progress and needs.

CARE was funded as a one-off measure during a transition between donors for production and distribution of the popular and lauded magazine *Lafaek*. Capacity building was not a primary aim of the project but was an ongoing feature to ensure that teachers could support the magazine.

The work of the Fred Hollows Foundation, funded through ADAF rather than the bilateral programme, is potentially about building capacity. However, whilst their role in developing eye health strategies was appreciated by the MoH, there was a sense that FH operates with its own separate identity and is therefore a form of parallel project. In this mode training is often provided for officials but it is offered based on the needs of the NGO to deliver its project rather than being designed in terms of what MoH staff actually need.

Technical Assistance

The issues related to TA have been discussed in previous sections. NZAID's experience of supporting an Adviser on Trade Statistics was generally positive and the 'remote' model of providing coaching and mentoring by non-resident consultants is one which is under-utilised. It has benefits in terms of allowing counterparts to get on with the job in their own time-frame whilst having access by email or phone to advice when needed. It works particularly well where the input is predominantly technical, as in this case, and is dependent on those being trained and mentored having been appropriately selected for their positions and having the capacity to learn. In this case the inputs were a combination of acting in-line, because the

job simply needed doing, and building capacity. But the remote role had a positive effect in that the Adviser could not always step in and do the job which tends to happen with resident TA.

Overall this modality has resulted in staff acquiring the basic technical skills to compile trade statistics. However, what it cannot achieve, even over the four year period that this Adviser was involved¹⁸, is building capacity to interpret and make decisions relating to the analysis. Such capacities require the development of the education system. Furthermore the assistance has been to a small part of an overall Statistics Programme and it will take many years of continuous involvement by many agencies to build the capacity of the Department over and above some individuals. This, ultimately, is the problem with supplying TA in the short or medium term. It is fair to say that the NZAID support has had a positive impact but it is limited in terms of the number of staff benefitting from it and limited in relation to the needs of the overall Department. When a donor withdraws assistance, as NZAID has now done, it must really be questioned whether they should have become involved in the first place if there was no long term commitment and it was outside the sectoral focus.

In summary, capacity development is possible within all modalities but the scale and sustainability of it is greater at the higher levels. There is now a considerable body of research on capacity development and the new consensus, articulated in the PD, sees capacity development as a necessarily endogenous process, strongly led within the country, with donors playing a supporting role. This recognises the importance of the broader political and social context and favours 'approaches' rather than 'answers'¹⁹. Particularly in fragile states, capacity development is based on a multi-level understanding of the country context to ensure that the design of the solutions best fits the particular circumstances.

NZAID does not yet have a working definition of capacity development or guidelines for staff to follow even though it is a major cross-cutting theme. Without this, and without frameworks which address capacity building holistically – in terms of individual, organisational and institutional levels, the likelihood is that NZAID will repeat the same mistakes that have been made in the past by all donors. It is a cliché of capacity development that it takes a long time but NZAID, in operating in some of the lower modalities, is intervening in the short term. In Timor-Leste, where the central issue is capacity development, it is essential to address the issue strategically rather than in a piecemeal way. Therefore, having a strategy which is specific to the country, and making a reality of the 'fewer, longer, deeper' would be invaluable.

4.7 Has the program achieved an appropriate balance between government, other state institutions and civil society?

Rationale for "appropriate balance"

The NZODA Bilateral Strategic Framework for East Timor 2002 states that interventions "will broadly aim to be split 65/35 on direct/indirect interventions". However, the Framework neither defines the terms direct and indirect nor presents a rationale for the 65/35 split. This

¹⁸ NZAID took over funding of the Adviser when the ADB discontinued support

¹⁹ *The Challenge of Capacity development: working towards good practice*. OECD 2006

has therefore given rise to a variety of interpretations. For some staff the distinction is between 'direct' interventions through civil society and 'indirect' interventions through government. For those who support working through NGOs the weighting in favour of doing so is frequently used as a justification to continue even where the burden is administratively heavy. For other staff the terms have no real meaning and are therefore not used for programming.

The Paris Declaration of 2005 sits well within the time frame of this review (2001-2007) and provides a further measure against which to assess what might be an 'appropriate' balance for NZAID's Timor-Leste programme. The issues inherent in the PD had also been well established in preceding policy documents and were therefore available to NZAID to assess their responses in engaging with partner governments and civil society.²⁰ The PD promotes the goal of 66% of donor assistance being delivered in a programme context through government or sectoral agencies by 2010 (indirect in NZAID terminology). This does not imply that the remaining percentage should necessarily be dispersed outside a programme context (through direct interventions).

When interventions through the Bilateral Strategy are assessed quantitatively against its stated 'broad targets' of 65% direct and 35% indirect assistance, what is in fact evidenced is almost a reversal – 42/58 as shown in Table 5 below. The balance has not changed significantly across the period 2001-2007 (see Annex 3) and it appears that the Programme has approximated the goals of the Paris Declaration without a conscious decision to move in that direction.

Table 5: Percentage Spend by Modality²¹

Modality	Activity	2004/05	2005/06	2006/07	Average % Spend in last 3 years	% by upper / lower modality	Paris Target
Macro Policy Support	CSP	41	46	44	44	58	66
Sector Level Program	Education	0.04	3	4	2.3		
Strategic Partnership	UNDP -DAS -Dev Posts -Provedoria	21	10	6	12		
NZAID-facilitated project	Scholarships SCDF MoH secondments	33	13	32	26	42	34
Partner-managed Project	JSMP CARE Fred Hollows	5	27	13	15		
TA	Statistics		1	0.8	1		

²⁰ Rome / Marrakech

²¹ Note Table 5 quantifies financial commitment to the various modalities. Only selected interventions were assessed, therefore the Table is indicative rather than representative. Funding for the biggest spend modality (macro level) is included and therefore provides a substantive indicator to what overall spending would have approximated.

NB: The categorisation of projects by modality is not entirely accurate within the Paris definitions. For example, the way in which UNDP deliver these projects under Direct Execution rather than National Execution is not strictly speaking a programmatic approach. The table should therefore be interpreted as modalities having potential to be programmatic.

Ad hoc or rational approaches to interventions?

The evidence showing that the guidelines on achieving a 'direct/indirect' balance in the Bilateral Strategic Framework 2002 were not stringently adhered to poses important questions about how decisions are made concerning which modalities will be utilized and which therefore affect what constitutes an appropriate balance. If a strategy is not followed in a rational or decisive way, it poses other questions about whether the strategy was simply inappropriate. Was it deliberately sidelined? Was it misunderstood? Did personnel implementing the strategy come under pressure to follow other leads?

There is substantial evidence that the apparent predisposition towards working through 'direct' (non programme context) modalities holds various levels of favour amongst NZAID personnel. Indeed, there is a continuum of opinion on what an appropriate balance might mean and a correlative tension about what it implies for 'best practice'. It is due to this ongoing and insufficiently managed discussion that the Timor-Leste programme has not only been unable to follow its stated policy on funding but has moved into the arena of being described variously by stakeholders as: 'not had given the circumstances', 'attempting a balance', 'ad hoc', 'opportunistic', 'arbitrary', 'conflicted', 'busy', and 'a muddle'. What then constitutes an 'appropriate' balance for NZAID's Timor-Leste programme depends on who is discussing the subject.

There is considerable evidence that many interventions were ad hoc and were added to the programme through what a number of stakeholders refer to, with various levels of appreciation, as NZAID's 'flexible approach'. While this may be seen as an admirable way to conduct business, and reflects NZAID's values²², it appears also to mean that, in the final analysis, the balance achieved was influenced in part by ad hoc decisions that did not reflect country programme policy and strategy. In addition some decisions were made on the basis of perceived capacity to deliver. However, given the context and the challenge of developing a programme, it is unlikely that the assessment of capacity was based on evidence and more likely that it too reflected assumptions that NGOs were in a better position to deliver than government.

Clearly, if an appropriate balance was deemed to be a 65/35 split between direct/indirect as stated in the Bilateral Strategic Framework 2002, then NZAID did not meet its goals. Rather, inadvertent or not, the country programme approximated the goal of the Paris Declaration. Personnel who favour a strong involvement in strengthening the institutions of state will no doubt deem this an appropriate balance.

Education and balance

Decisions made around the education sector were, in large part, well informed and followed due process, the possible caveat being the decision to act independently of the World Bank. Education constitutes one of two stated sectors for engagement in the Asia Strategy 2004 which also operates as a guide for NZAID in Timor-Leste (but which does not provide

²² Refer NZAID Asia Strategy 2004, Page 8.

quantified guidelines on balance). Education is also one of 'four key areas' in the Bilateral Strategic Framework 2002. The planned and rational implementation of education interventions through sectoral level programming is clearly in line with best practice in the PD.

However, since 2001, less than 2% of the total bilateral budget has been spent in the education sector. This situation has skewed what would have been a correlative higher balance in favour of a priority sector had additional funding been made available.

This apparent anomaly poses the additional question: How could spending have been increased in stated priority areas through modalities that are best able to absorb a higher level budget support appropriate for a sectoral or key area such as education? Obviously NZAID has acted with due caution in education in seeking to find its place through best practice. Engaging more with multilateral agencies involved with education (KINICEE) may in part have assisted with the dilemma of how to engage in education in higher modalities. An increased spend on school infrastructure through government and multilateral programmes would also have benefited education and would have allowed for a more appropriate spend. Funding stated priority sectors with a commensurate budget allocation will influence the formation of an 'appropriate balance' especially when the goals of the Paris Declaration influence the decision making process.

Increased spending in a priority sector may not have been as difficult as perceived had NZAID decided to channel funding through its multilateral partners. This statement has the burden of being made in hindsight and may not draw upon the caution expressed at NZAID about following 'due process'. However, it does raise questions about the opportunities lost in seeking to carve out a 'niche' in education and other areas where NZAID may think of itself as having a 'comparative advantage' and where it can brand itself in a highly contested sector. Education may have reached into the suspect 'niche/comparative advantage' situation, one which is discussed in more detail below.

Rural livelihoods and achieving balance in priority sectors

The situation of rural livelihoods, which is a priority sector but which has received no funding due to NZAID's continued inability to find an appropriate entry point, again begs questions about how much analysis has gone into what constitutes appropriate spending through appropriate modalities. It was clear that an engagement in rural livelihoods through multilateral partners, notably UNDP, had been available over the programme. Indeed, considerable spending could have been achieved in rural livelihoods had greater emphasis on the efficacy of multilateral arrangements been adhered to. In effect, less than 2% of total programme spending occurred across the six years in the two sectoral priority areas of education and rural livelihoods, a situation which draws its own conclusions when addressing what constitutes an appropriate balance and how it is reached.

Workload and appropriate balance

As has been noted, the more 'direct' the project the more downstream work there is for NZAID personnel who find themselves overstretched by their continued involvement in lower level modalities.

Over the period 2002-2007, 35% of programme funds were dispersed through the modality of macro level support and 20.7% through strategic partnerships, both high level modalities promoted in the Paris Declaration as the most appropriate in which to engage. The workload associated with these two modalities is minimal when compared to that associated with lower level modalities that engage much more with civil society (see Table 3). NZAID personnel voiced their concerns that an increasing workload was a significant barrier to maximizing aid effectiveness, engaging in policy level discussions and in producing consistent quality work. Working in lower level modalities has had its costs on human resources and has imprinted a stamp on programme delivery, quality and effectiveness.

Allowing for ad hoc interventions in lower modalities does not therefore optimize the potential for achieving a strategic balance that correlates with effective work practices. In attempting to implement a strategic programme, NZAID personnel face many challenges from various stakeholders and associates and have felt pressure to conform to these 'requests' which distort the application of strategic planning.

The 'requests' take two forms: those that are seen to be 'flexible' and therefore responsive, and those that cannot be easily denied due to their being from 'important stakeholders'. The Head of Mission Fund (HOMF) is a sufficient system to address requests. However, the HOMF which now runs at \$200,000 per annum also requires input from NZAID personnel, especially at the Post, a situation which adds to the workload on downstream activities and one which adds to the scatter of New Zealand funded interventions. In relation to NZAID remaining with its stated strategy and avoiding a scatter gun and bitsy programme, Irish Aid noted that their response to similar dilemmas was to say 'no' even in the face of pressure.

Balance and historical perspective

A broader historical perspective on the programme in relation to how balance was addressed (or not) and how it finally 'turned out' is also required.

- The Timor-Leste programme straddled a period which would have made following a rational approach difficult. Since 2002 the programme has been understaffed both at Head Office and at the Post and embraced the most turbulent time in the new country's recent history.
- Changes in NZAID personnel in both locations was also a barrier to a strict implementation of a strategy.
- Some NZAID personnel also regarded the Strategy as being inadequate in direction and based on an insufficient grasp of local realities.
- The programme also had to operate within the confines of a (paradoxically) broad Asia Strategy since 2005. This did not assist the defining and refining of what a balanced package of modalities might look like for a newly independent, highly conflicted and chaotic country characterized as being Asia's poorest.
- The establishment of an Embassy mid way through the period under review also influenced the direction and shape of the programme, a situation commented on by many stakeholders.
- The increased conceptualization and rationalization of what constitutes modalities and how they should provide 'appropriate balance' - especially around the Paris Declaration - has been a relatively new advent at NZAID. With this in mind, an historical perspective should allow for some mitigation of apparent anomalies.

What this picture draws is not so much an apology for the way the balance was achieved but, rather, a picture of how the programme managed to pretty much, in the words of a senior NZAID official 'muddle along' in a way which did, after all, produce a programme that delivered well - with some rather significant caveats.

To conclude, it has never been made clear in the context of Timor-Leste what the purpose of achieving balance is. Therefore, the choice of modalities that influenced balance appears arbitrary or certainly without a well articulated rationale. What is particularly unclear is what NZAID seeks to achieve in forming partnerships directly with CSOs/NGOs. The relationship that matters, in the long term, is between Government and civil society rather than donors and civil society so seeking to facilitate the internal relationships in Timor-Leste is more sustainable than maintaining external one. This is an important principle of governance.

It also appears that the balance in favour of the Paris Declaration has been inadvertent. This may in part be due to the fact that the programme straddles the period when the 65/35 direct/indirect split was promoted in the Bilateral Strategic Framework 2002 and the advent of the very different goals which the Paris Declaration proposes. Certainly the debate about where commitment to Paris lies and how it is confirmed in policy and programmatic application is imperative for the future.

4.8 Has the program responded appropriately to conflict and supported conflict prevention and peace building?

NZAID has responded to the conflict with timeliness and flexibility in several ways especially through the immediate humanitarian response to the 2006 crisis and ongoing assistance to Internally Displaced Persons (IDPs).

In terms of conflict prevention and peace building, whilst NZAID did not fund on that basis, three projects contribute directly. CARE International produced and distributed a children's school magazine which had a special edition on conflict and peace, built capacity amongst teachers on associated issues and undertook extensive research into why communities did or did not engage in violence during the 2006 crisis. The Judicial System Monitoring Programme (JSMP) works to reduce conflict by promoting judicial reform around land rights which is a flash point for violence. In addition, funding for the Office of the Provedor supports monitoring of human rights abuses which feed into conflict. What is striking about this is that NZAID has not promoted this inadvertent cluster through any strategic initiative. Indeed, the Post was largely unaware that the interventions were conducive to or characterized as being involved in peace building and conflict prevention despite the immediate acknowledgement from each group that the funding had promoted their work in those areas.

Overall there has not been a strategic approach to incorporating conflict prevention and peace building as a cross-cutting issue in the programme. This has been a result of several factors. In terms of strategy, the various documents pre-date the 2005 *Policy on Preventing Conflict and Building Peace* so there was no policy to draw on nor any associated tools to guide implementation. There has also been no analysis of the conflict of 2006 which would have

been helpful in assessing whether the programme was on track or needed to change as a result. In common with many donors²³ NZAID has tended to continue with a business as usual approach and viewed the disruptions following the crisis of 2006 as an exception rather than a potential indicator of ongoing episodic violence which may need a different strategy.

There has also been little specialist support. The Strategic Advisory and Evaluation Group (SAEG) Adviser who is responsible for conflict prevention and peace building is also responsible for the cross cutting issues of human rights, governance and civil society. These are four significant issues that require energy and input, especially as most NZAID staff are generalists and few have any direct experience of working in countries in conflict. In addition there is no repository of lessons learned from other conflict and post conflict situations in which MFAT and NZAID have engaged. Together, these issues limit an appropriate response to security building, long term development planning and its implementation.

The Importance of Conflict Analysis

Conflict analysis is important in keeping the issue on the agenda and preventing a 'business as usual' approach. An understanding of both the root and proximate causes of underlying conflict, and of the triggers for renewed conflict, helps donors and development actors to avoid the assumption that a new nation follows a linear path from recovery and reconstruction to development. Incidents of violence and insecurity are not simply temporary aberrations but actually constitute a new kind of normality which must be addressed. Where the modality is TA at sector programme level it is necessary to allow additional time for it to be effective as advisers are affected by regular disruptions to the work program, by the absence of counterparts or their preoccupation with other issues, and by increasing politicisation of the civil service, as has been seen since the change of Government. A good analysis also sheds light on why the enabling environment is so often weak, how conflict affects it, and what could be done to improve it.

Another related point is that conflict environments are intensely political and advisers are often drawn unwittingly into partisan relationships. It is easy to be unaware of the agendas which are running and to inadvertently advantage one group or another, one issue or another and thus play a role in the triggers of conflict. It is important to analyse how, when and why advisers are drawn into the vested political interests and how to deal with it. To avoid becoming entangled TA need political nous, in particular those TA working in policy roles or at senior levels. These are all issues that are relevant in the education program, especially the human resources role which involves restructuring and which is necessarily highly political and controversial. Termination of staff contracts was in part behind the crisis of 2006.

It is also important to assess how the programs of a donor impact on the causes or triggers of conflict. For example, it seems to be a widely-held belief among young educated Timorese that only Portuguese speakers can hold a senior government position. This excludes many of the younger generation who were educated in Bahasa Indonesia and who feel they have important skills and experience to offer. Coinciding with allegations and evidence that many civil service positions are based on patronage there is potential for resentment to increase and divisions in society to be perpetuated. Given that many educated young people appear to be working in civil society organisations and in UN or donor agencies this is the sort of aspect

²³ USAID was a notable exception, undertaking two conflict analyses and, as a consequence, dropping their program in trade and investment in favour of shorter term efforts aimed at job growth for youth.

that could be explored with a view to developing strategies to mitigate a potential cause of tension.

NZAID is not in a position to commission its own conflict analysis but this is one of the main principles behind harmonisation, that those donors with comparative advantage lead and share their research and analysis with others. The important point is not who undertakes the analysis but how it is then used to develop joint strategies and approaches. NZAID would benefit greatly from this and it is the kind of issue that can be raised at the policy table at the level of Macro Policy Support through the CSP.

The Security-Development nexus and the roles of NZAID and MEAT

Human security and development are inextricably linked. Lack of human security has adverse consequences on economic growth, poverty and therefore development and, in turn, lack of development, or imbalanced development that involves sharp horizontal inequalities, is an important cause of conflict²⁴. The NZAID *Policy on Conflict Prevention and Peace Building* also states that peace and security are fundamental to achieving the fulfilment of basic needs and sustainable and equitable development.

The stage is therefore set, in theory, for a strategic approach to the issue of security between NZAID, NZDF/MoD, MFAT and NZP, focusing on what each does best and seeking synergies between them. In reality the programmes tend to exist in isolation from each other. This is in part for structural reasons in the way both defence and police forces are required to operate under ISAF and UN auspices respectively. But it also reflects, on the part of NZAID, a degree of hesitancy in seeking opportunities that might consolidate the whole New Zealand approach. These issues are discussed further in an Annex for Internal Use only.

The wider problem of Cross-cutting Issues

Conflict prevention and peace building is one of several NZAID cross cutting issues. As with human rights, in the Timor-Leste programme it has been addressed with discrete project interventions rather than cross cutting across all activities. Indeed, there was little to no evidence that an effort has been made to include the other cross cutting issues across the programme with gender the most glaring example. Including cross cutting issues (where immediately appropriate) is possible through all of the modalities when targeted with well constructed tools. The tools cited in the review were insufficient to address the required depth each cross cutting issue elicits.

In summary, it is clear that NZAID has been highly responsive to acute manifestations of conflict such as in its humanitarian responses in 2006. However, there is a genuine lack of understanding of how conflict affects the programme more subtly and this blunts potential to be more effective in peace building and conflict prevention.

²⁴ *Development and Security Working Paper no3, Centre for Research on Inequality, human security and ethnicity, University of Oxford.*

4.9 Has the program effectively identified an appropriate niche for NZ development assistance and capitalised on any comparative advantage NZ may have?

Definitions

'Niche' is a term that defies a clear technical definition in relation to strategic planning. If 'niche' means a 'gap, place or space' in which NZAID has positioned itself programmatically, then what this question further implies is that there might be one available which an entire aid programme could fill. Given that multiple donor agencies are contesting for room in a nation with fewer than one million people there is potential for 'niche growth' that reflects national interests and tagging, a situation that some commentators said was an increasing reality. For example, the Department of Trade and Statistics noted that their particular area was 'not sexy' and that they found it difficult to access funding 'due to there being more interest in areas such as gender and education'.

Niche as defined generally implies a specific, unique activity especially suited to an organization's interests or ability. This is a difficult definition for NZAID as a donor organization for the added implication is that the niche is supply led and promotes self interests – a situation not uncommon in aid delivery generally and highly evident and problematic in Timor-Leste. In addition, with multiple donors seeking a tag to increase visibility, there has been much contestation about who can do what better and in whose interests it is being done. Ultimately this general procedure has been unhelpful and has been noted by the Timorese Government and donors alike. Prime examples are those of donors supporting language or curricula as areas of influence or ideology under the guise of 'areas of expertise'. Supporting technical assistance for economic and political advantage is also perceived as being rife in Timor-Leste. This situation is pertinent in an understanding of both how pursuing 'niche' and 'comparative advantage' become slippery and why the Paris Declaration becomes additionally significant.

In presenting the question of what 'niche' constitutes, stakeholders were generally at a loss to supply answers that a more technical conceptualization of what aid means would provide. The term is amorphous and in relation to the question also lends itself to 'feel good' answers. 'Niche' might be more appropriately reconstructed around a technical interpretation in a question that asks if NZAID has found a place for *sound programmatic applications that fit within national objectives*

'Comparative advantage', is a somewhat less amorphous and problematic term which stakeholders were more clearly able to vision NZAID positioning itself within. *Building identifiable corporate strengths and interests in aid assistance that fit within national objectives* is implied in building a 'comparative advantage.' The term also lacks rigorous technical understanding in the context of aid assistance for on analysis it begs the question: *advantage over what?* In the spirit of ownership, harmonization and alignment NZAID might seek to define its terminology along more technical lines.

Niche

NZAID cannot be said to have found a 'unique gap' for its entire programme. As has been noted throughout this review, the programme has for various reasons not been able to follow

a consistent approach to programme implementation and crosses multiple modalities with a high number of different interventions across many sectors.

However, NZAID has been able to establish within the education sector a *sound programme application that fits within national objectives*: the Education Capacity Building Project (ECBP). On the one hand, NZAID's support for capacity building in the Education Department followed due process as NZAID commissioned two education scoping missions which eventually found fruition in the ECBP. In effect NZAID created a niche / *sound programme application that fits within national objectives* within the World Bank Education Programme. However, by becoming autonomous alongside the World Bank's education programme NZAID may also be seen to have created itself a 'niche' to which it can attach its name. The World Bank concedes that NZAID has created a space for itself within the goals and objectives of the National Education Plan. What begs the question here is why NZAID felt compelled to carve off its own space or niche from a national programme when in effect that programme advanced harmonization and coordination, both principles of the Paris Declaration. The answers to this question were many and traversed a predictable continuum.

In the highly contested arena of education, the multiple donors vying for a space each claim for themselves an 'area of expertise'. This situation does not sharpen the move to a Sector Wide Approach (SWAp) which is, ultimately, where the Paris Declaration would be able to lead if more effective donor coordination was promoted above self interests.

As has been noted, there is a heavy cost to pay for the construction of 'niches'. The ECBP utilizes less than 2% of the total assistance package yet incurs a very high work load for NZAID personnel at Post and Headquarters. The Timor-Leste NZAID Manager noted that she spends 30% of her time on the education sector with a comparable amount of time by the DPM in Wellington.

No other areas of *sound programmatic application* which are based on as much research and analysis as the ECBP were identified in the programme.

Comparative advantage

By establishing itself in the education sector, NZAID has demonstrated its commitment in a highly contested arena. Indeed, one of the positions put forward as to why NZAID was 'right' to promote capacity building as an area for itself within the World Bank Programme was that "New Zealanders do it better because they have a less rigid approach to education and training than major institutions which are more heavy handed and supply led." Again, this raises issues on what constitutes comparative advantage. It also invites comment about the construction of foundational myths. However, what was evidenced was that NZAID went for capacity building because it felt it could "do it better". In effect, NZAID constructed its comparative advantage in education which resulted in the creation of its niche within the Education Department. NZAID will need to maintain this comparative advantage by working to ensure that the project does not falter and that momentum is not lost in the upcoming negotiations around project continuation and with potential turnover of staff.

Comparative advantage in the competitive and somewhat anarchic world of aid assistance in Timor-Leste is easily lost and consolidation is therefore important. Building a longer, deeper,

bigger project that promotes continuity while at the same time taking into account rates of absorption is an issue to consider for the future and a lesson to be learned from the past.

Stakeholders were clear that New Zealand has many areas where it is seen to have comparative advantage by virtue of its profile of being a developed country with well defined areas of expertise. The areas identified were: fisheries, agriculture, animal husbandry, forestry, education, scholarship programmes, health, tourism ... (etc). However, this expertise needs to be tempered with analysis of exactly what that means. One informant remarked, without irony, that NZ had experience of agriculture 'although we're not tropical'. What was also noted was that all donor countries have areas of expertise that can be characterized as open to 'comparative advantage'.

The multi lateral agencies demonstrated particular interest in working in partnership with NZAID across the sectors noted as each of them is being developed in programmes that require donor funding. Engaging in multilateral arrangements is a primary goal of the Paris Declaration. It is also one that NZAID will find appropriate given the imminent demise of the Consolidated Support Programme the modality through which NZAID has placed the 35% its aid assistance.

Comparative advantage and the Paris Declaration

Working through due process with Government and the multilaterals to ensure that programmes are not supply driven is an important consideration when areas of national expertise have been identified. A move to the higher modalities that promote ownership and harmonization will provide a more rational interpretation of where comparative advantages can operate. Clearly, donors have not operated primarily within this imperative since their aid programmes commenced in Timor-Leste. The move, albeit inadvertent, to working primarily in modalities that accord with the Paris Declaration may be where NZAID is beginning to find both its niche and its comparative advantage in Timor-Leste. To this effect the Paris Declaration states: "Donors commit to make full use of their areas of comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes activities, risks."

Perceptions

A consistent theme to emerge around the loose definitions of 'niche' and 'comparative advantage' involves the area of values. The perception of both New Zealanders and non New Zealand stakeholders is primarily that New Zealand is - to quote several commentators: *non threatening, nice, non colonialist, friendly, responsive, easy with requests*. These comments merge into a set of tangible values that constitute an area of comparative advantage. However, 'being nice' and certainly 'being easy' need to be utilized with the corollary of 'being effective'. In the absence of thorough monitoring and evaluation processes across its programme, NZAID may have relied too heavily on 'being nice'. Being effective is really the most important comparative advantage NZAID needed to address throughout its programme and the absence of comprehensive measurement is a point of concern.

In conclusion, it is evident that the many issues implicit in a discussion as subjective as that surrounding NZAID's possible areas of 'niche' and 'comparative advantage' in the donor saturated environment of Timor-Leste requires a significant deconstruction of the

institutional, cultural and ideological contexts that continue to operate under such terminology.

4.10 To what extent has NZAID's programme been consistent with a focus on poverty reduction? To what extent has it contributed to the development of rural areas?

Poverty reduction

Poverty reduction is implicit in all aspects of the programme. For example, the reduction or mitigation of poverty is an integral component of NZAID's Values.²⁵ Poverty reduction is implicit in both the Asia Strategy and the Bilateral Strategy.

Development of rural areas

As has been noted elsewhere in this review, the programme has had but minimal involvement in the development of rural areas. The funding of small projects through the Social Community Development Fund (SCDF) and the micro finance initiative, Moris Rasik, do not add up to a significant quantitative contribution given the Programmatic mandates in both the *NZODA Bilateral Strategic Framework for East Timor 2002* and *The Asia Strategy 2004*. Both documents lay focus on sustainable rural livelihoods.

Barriers to involvement in rural development / sustainable livelihoods

A number of barriers were identified that mitigated the programme's optimal involvement in the rural sector.

- The continuing crisis and instability in rural areas was not conducive to working directly with local groups / NGOs even where such groups existed or had sufficient capacity.
- The 'direct' work with civil society is a directive in the *Bilateral Strategic Framework 2002* and possibly led the programme to seek partners where they were not necessarily available i.e. in rural areas.
- The absence of a well articulated Country Strategy based on an in depth conflict analysis.
- Insufficient human resources at NZAID Post and Head Office meant that entry into the relatively more difficult sector or rural development could not be optimized.
- No rural livelihoods specialist at the Post has meant that attention is more easily diverted from this priority sector to other more 'generalist' areas.
- Different perceptions about weaknesses in the Ministry of Agriculture The relatively easier and more accessible Ministry of Education with its associated interventions from 'big guns' of the World Bank has provided a spear head for NZAID to engage through, something that has not occurred in the agricultural sector which has been 'left largely adrift by donors as too hard' to quote one source.

²⁵ Refer: Page 8: NZAID Asia Strategy 2004

- The continuing perception by some NZAID personnel that involvement in rural livelihoods is best achieved through civil society organisations rather than through engagement of Government. For example, the fact that there are still discussions with the NZAID Post on the viability of establishing a contestable fund for rural projects must be questioned.
- Reluctance to engage with UNDP which is an important Strategic Partner for NZAID as defined in the Multilateral Engagement Strategy. A number of viable rural development / rural livelihood programmes have been developed through UNDP since 2002 each of which could have been an entry point for NZAID. NZAID also has the opportunity to design a rural livelihood programme with UNDP and to have its name tagged if indeed branding is a prerogative. The continued perception that working with UNDP is in some way not a 'best option' has assisted the very real situation of the programme having lost valuable opportunities to engage meaningfully in its priority sector.
- The vision of rural development has not been sufficiently expansive. Rural development appears to centre on agribusiness and more traditional aspects of 'what generates income'. In the perceived absence of an entry point into this more technical / traditional understanding of what constitutes rural development, the fact that, for example, literacy and / or non-formal education programmes might have been beneficial to rural populations was lost. In trying to find an entry point over a period of six years (and recognizing its difficulty in doing so), NZAID could have approached the dilemma more laterally and engaged with multilateral partners such as UNICEF, UNESCO or UNFEM in proposing rural development programmes based on education / capacity building / gender.
- The way the programme has developed across multiple modalities with intensive work required in those at the lower level has meant that time is minimized for NZAID personnel to engage in the rural sector.
- The quiet hope that the rural sector will be dropped in the forthcoming Country Strategy found resonance with some personnel. This has been perhaps an enduring theme throughout the programme and a wish that might be considered.

For a number of reasons - some rational some not - the programme has not been able to engage meaningfully in rural livelihoods / development despite there having been ample opportunity to do so through UN agencies. The Paris Declaration calls for the increased involvement of multinational organisations who operate within higher level modalities and for donors to support them.

4.11 How do the outcomes, impacts or changes brought about by NZAID's programme compare qualitatively with the amount of money spent?

In the absence of a thorough monitoring and evaluation process for many of the multiple interventions, it would be problematic to venture estimations of how effective the programme has been. Indeed, the absence of a thorough monitoring and evaluation process in such modalities as the SCDF invites criticism about aid effectiveness and begs further questions about why there is so little emphasis placed on measuring impact and outcomes.

What were clearly evident were the interventions that patently lacked effectiveness even without the authority of a comprehensive evaluation. The most glaring were the secondments to the NZ Ministry of Health. From discussions with the requisite authorities in Wellington and Dili, it was obvious that this was not value for money. Also, as noted, the SCDF needs to sharpen its game in order to be more functional and less open to fund evaporation in small largely unmonitored projects that are time consuming and often of questionable impact.

In terms of available external evaluations, the TFET was evaluated by the EC in 2004. On efficiency, several weaknesses were noted such as the proliferation of Project Management Units (PMUs), the lack of centralisation of procurement and financial management, and slow project processing procedures. However, in spite of these the evaluation concluded that TFET was superior to the alternatives (UN, NGOs and bilateral). It found that staff were highly motivated and competent and relied most on Timorese inputs. For the Timorese decision makers it was the most efficient mechanism for donor coordination during the difficult transition.

Stakeholder comments

Many comments were recorded from stakeholders and it is in reporting these that perhaps an approximation of what the question asks can best be found in the absence of a full cost benefit analysis. However, given that the comments are recorded largely from recipients, their value is purely subjective:

We've been able to work very effectively with NZAID funding to improve capacity in eye health (Fred Hollows Foundation).

The Government is very appreciative of NZAID funding for eye health as we have not had the funds or the capacity to do everything that we want in the national plan for eye health (Government spokesperson).

It's amazing how much you can do with relatively small amounts of funding. The school magazines have been sent out to every school child and their parents read them and yes there is a direct correlation with that and our attempts at peace building in rural areas.... Yes the peace research went ahead with NZAID funding and we are applying what we found to further peace building initiatives (CARE International).

NZAID funding has meant we are able to build up a stronger voice for people who need justice on land issues and other human rights issue. We work in all areas in human rights and in peace building. (JSMP).

NZAID has made a significant contribution to capacity building in education (World Bank).

NZAID has assisted us and we appreciate that very much because human rights are so important now in our country. Our donors have really assisted us and we are grateful because without them how could we do the human rights work we have to do in this country? (Office of the Provedor).

New Zealand is a small player but it has an impact. It's seen to get things done (Irish AID).

I am now am studying for my Masters Degree and I learned English in New Zealand. I can help in rural areas with health. (Ministry of Health Secondment Officer).

Of course I learned so much in New Zealand about law enforcement and how things operate in a well run country. (Scholarship recipient).

My children all learned about how life in New Zealand is and they brought home those lessons here where we are establishing a new country (Scholarship recipient).

With the caveat that the question cannot be answered with adequate evidence and detail, it appeared to the reviewers that overall the programme was efficacious. It was highly evident that NZAID personnel had worked diligently to deliver a programme that met both the short term humanitarian and long term development requirements of the Timorese people. At no point (with the exceptions noted) was there a strong indication that money was not well spent and that personnel did not have the best interests of the Timorese people at heart. Indeed, overall, the impression is one that the programme has achieved much. In rationalizing the programme along the goals of the Paris Declaration much more will be achieved.

5.0 Conclusions

These conclusions are presented as both conclusions and lessons learned in the context of the Timor-Leste programme and in accordance with Objective 1 of the TOR "to distil learning pertinent to New Zealand's ongoing development assistance".

5.1 Sustainable capacity development

There is evidence of attention to capacity development throughout the programme although, given its absolute centrality to nation building in Timor-Leste, NZAID has neither a clear statement about what exactly it seeks to achieve nor a framework for how it will go about it. Staff are therefore unable to maximise the potential gains and monitoring processes are insufficiently sophisticated to determine the extent, quality or sustainability of capacity developed.

It is almost a cliché that capacity development takes a long time but, in the context of Timor Leste where the human resource base has been so weakened, the time needed is even longer and the process is even harder. This has been under-estimated by all donors, especially those driven by strong results-orientation. In this context NZAID has demonstrated that it can build effective relationships and work in a way which strongly supports the process as well as the product. It is this process-driven approach which has the potential to be NZAID's comparative advantage, provided that this is captured in the design and implementation of the project.

Capacity development can potentially be achieved through any modality if well managed. At the higher levels it is more explicit and is aimed broadly at the levels of the individual, the organisation, and the institution within government. At the lower levels it is more likely to have individual benefit or to be on a small scale through civil society organisations. Notable by its absence is an analysis of the purpose of building capacity in civil society for advocacy, so that organisations can support the development of an effective state rather than simply being service providers or pursuing their own goals unaccountably.

5.2 The Paris Declaration principles

Paris has been a helpful guide and NZAID is close to the target of 66% of assistance through programmatic approaches although this appears to have been inadvertent rather than planned. In the context of Timor Leste even the most committed donors find it extremely challenging to make the PD a reality. For NZAID, in the absence of a directive on Paris, there has been a somewhat fragmented and piecemeal application of the principles and the programme has a flexibility and responsiveness which renders it vulnerable to straying from the principles.

Greatest progress has been made in the education sector where the approach conforms to the objectives of Paris by working within the Ministry, using its own systems and processes to support government ownership of the national education plans and the SIP. Although harmonisation, in the true spirit of Paris, is some way off, there have been consistent and concerted attempts to coordinate between NZAID and the World Bank.

In contrast, attempts to develop a programme in the sector of rural livelihoods have not yet shown results which are consistent with Paris. For a number of reasons, some more valid than others, NZAID has been unable to find an entry point either within government or through multilateral strategic partners. In part this appears to be a predisposition to work with civil society organisations in the face of a Ministry of Agriculture which has been perceived as weak and therefore more problematic to work with in terms of showing results. There is also an element of NZAID sitting in judgement on the MoA where the SIP has different aims or approaches, and this is against the spirit of ownership.

5.3 Appropriate Aid Modalities, Policy Dialogue and Balance

Policy dialogue has demonstrably been facilitated through the higher tier modalities and has been taken seriously by NZAID in Dili. However, there is considerable unexploited potential, hindered in part by excessive workload in the lower tier modalities, and in part by the capacities of staff to engage at the higher levels. There is also unresolved tension within NZAID (and MFAT) between working directly with government compared with through civil society which affects both the modalities pursued and those selected. This has resulted in decision making processes which are not always transparent and the emergence of a programme often described as 'bitsy'.

The programme has inadvertently approximated a balance across the modalities that corresponds significantly more to the goals in the Paris Declaration than to those in the Bilateral Strategic Framework 2002 or the Asia Strategy 2004, both of which are the programme's guiding documents. Whilst all staff have worked hard to develop a programme in the most difficult of circumstances there are important questions about how the decisions that determined achieving balance went awry, and whether those decisions were in the best interests of Timor-Leste, NZAID and the programme. These will need further analysis in order to avoid their repetition in the future.

The modality of strategic partnerships has been under-utilised. Although it has been convenient to support UNDP in the selected projects there is also a resistance to working with them in rural livelihoods which, given NZAID's inability to develop an alternative programme, is surprising. In part this may be a function of the challenges for some staff in

moving from roles where they engage directly with civil society, which has a feel-good factor, to working to improve the performance of a multilateral organisation. Staff are perhaps unaware of the potential that exists for donors to influence agencies such as UNDP to improve their poverty focus.

Effectiveness can be sharpened by building greater capacity in staff to participate at the higher levels, both at Post and in Wellington, and across NZAID and MFAT.

5.4 Conflict prevention and peace building

A number of programme responses have increased NZAID's profile around conflict prevention and peace building, especially in response to the 2006 crisis and New Zealand's continued contribution to UNMIT. What does not add so significantly to the programme's positive performance is the virtual absence of any intentionality to mainstream conflict prevention and peace building in the long term activities. Most projects are, therefore 'conflict blind' in a country where the prospects for ongoing conflict are high and where aid interventions should therefore be consciously assessed for their potential to cause or reduce conflict.

The NZAID Policy *Preventing Conflict and Building Peace* has not been accompanied by any training or tools to enable staff to factor it into their programming. There is therefore a knowledge gap in NZAID staff on the considerable complexities of both theory and practice of conflict-sensitive planning. Whilst most of the staff of NZAID are generalist, and it would be unrealistic to provide training and skills in every cross cutting issue in depth, for a country like Timor-Leste it is essential that they are appropriately skilled.

Given the absence of the *Policy* at that time the Strategies for Timor-Leste and Asia did not address conflict prevention. In countries in conflict it is also common that tensions in the external environment are acted out within the internal context. Issues such as whether short term, supposedly quick impact activities should be prioritised over long term development can easily become conflictual and disruptive. Having a strong strategy which spells out how these differing approaches can be managed would have been helpful in ensuring a synergistic and mutually respectful relationship between MFAT and NZAID.

TL is a country recovering from and still immersed in conflict. In the absence of a conflict analysis and a strategy that reflects the exigencies of a fragile state, the approach to programming can come across as business as usual. The central issue for most Timorese is the issue of security and, whilst NZ provides police and military support, NZAID has been somewhat ambivalent about investigating ways of supporting these, and potentially missing synergies. There is evident tension around this issue, expressed by NZAID, MFAT and the NZ Police in Wellington, and this needs to be resolved in order to have a genuine whole of government approach.

5.5 Comparative advantage

NZAID has been engaged in Timor-Leste for a relatively short time. NZAID's much longer and deeper involvement in the altogether very different Pacific Region may have provided it with a more familiar context in which to discuss what have become similarly familiar, if yet undefined, terms such as 'niche' and 'comparative advantage'. The situation of Timor-Leste presents a very different scenario which needs a particularly sharpened and relevant framework in which to operate with precision and with commensurate processes for measurement. What stands out in the context of NZAID's involvement is its need to work in the spirit of the Paris Declaration and thus avoid the pitfalls of seeking niches and comparative advantages. Paradoxically, NZAID's comparative advantage, and its most significant niche, would both be found in leading the way for other donors to a full commitment with the Paris Declaration.

NZAID has a strong set of values which guide its approach to development assistance and amongst these are flexibility and responsiveness. However, there is a strong tendency to equate 'being nice' and 'being flexible' and 'being responsive' with 'being effective' which is not necessarily the case. In the absence of comprehensive and consistent monitoring and evaluation of its interventions, NZAID has a potentially weak link in its development approach. By going 'fewer, longer, deeper', as has been consistently recommended since the DAC Peer Review of 2005, it is likely that NZAID will establish for itself a much sharper and effective response to aid delivery.

6.0 Lessons Learned

The following lessons learned have applicability beyond the Timor-Leste programme:

- Context is everything*
A strategy is only relevant and helpful if it is based on the particular context. Aiming for a fit with a Regional Strategy, especially in Asia where there is little commonality across a wide range of countries, runs the risk of being supply-led and is counter to the principle of ownership in the Paris Declaration.
- Capacity building needs to support Policy*
If NZAID is to deliver on its *Policy for Preventing Conflict and Building Peace* then capacity building is vital, not only for NZAID staff but also in conjunction with MFAT and the NZP so that New Zealand can deliver an effective "Whole of Government" approach especially in the nexus between security and development.
- Mainstreaming is getting missed*
There is a lack of clarity about how and when to mainstream the cross-cutting issues as opposed to developing separate projects for them. This is particularly observable in human rights. If NZAID is aiming for more engagement in the higher modalities there is a need to develop specific tools appropriate to them as the existing project-based tools may not be relevant.

4. *Fewer, longer, deeper is crucial*

Where there are very few human resources, and in a context where New Zealand is a small donor, it is ineffective to fund and manage many activities, especially if they are unrelated and labour intensive. Focus and specialisation is necessary.

5. *Comparative advantage is something you build rather than bring*

Comparative advantage, in a new country and a country new to NZAID is not about bringing something from outside that has worked or been appreciated elsewhere. Rather it is about building relationships and establishing credibility based on a sound approach and a willingness to learn.

6. *Balance is a governance issue*

The lack of rationale for balance within a programme highlights the important issue of what the governance relationships are in a country. Good governance is achieved through a nexus of Government, civil society and the private sector. Since this can only be managed by Government it is likely to be more effective for NZAID to seek to strengthen those relationships between Timorese rather than to form them directly as a donor.

7.0 Recommendations for Future Development Assistance

1. *Develop a strategy based on context*

The new Strategy should be based specifically on the context in Timor-Leste as in the first principle for good international engagement in fragile states “take context as a starting point”. The Strategy would include:

- A shared view of the strategic response based on firm commitment to the principles of Paris
- Clarity on the purpose and means of capacity development
- Clarity on the purpose and means of engaging with civil society and a rationale for ‘balance’
- Identification of the modalities that best suit purpose
- Clarity on how cross-cutting issues will be mainstreamed

2. *Make a reality of conflict prevention and peace building*

The future strategy should aim to operationalise relevant focus areas of the NZAID Policy *Preventing Conflict and Building Peace*. This will require a shared “Whole of Government” analysis and a substantive dialogue between MFAT, NZDF/MoD, NZP and NZAID to identify respective roles and potential synergies. Within NZAID there needs to be development of appropriate tools to guide staff and build their capacity to programme appropriately, an analysis of lessons learned in other post-conflict situations NZAID is engaged with, ongoing and managed dialogue between agencies at Post, and an increase in specialist support from the SAEG.

3. *Move from Supply-leading to Demand-leading in Sectors*

Support in Education should be extended as opportunities arise. Particular consideration should be given to joint funding in the World Bank/AusAID programme which would give NZAID an additional seat at the policy table and enable greater harmonisation based on lessons learned in each. Rural livelihoods should either be dropped from the forthcoming Strategy or situated meaningfully within existing modalities, such as UNDP, so that there is no additional burden on programme personnel and commitment is demonstrated to making a reality of Strategic Partnerships. Alternatively, if NZAID remains committed to working in the livelihoods sector it should resource development of a programme appropriately.

4. *Make a reality of 'Fewer, Longer, Deeper'*

The aim of 'fewer, longer, deeper' should be formalised and structured into programme planning. Ideally no single or short term activities would be undertaken outside humanitarian response (fewer and longer) and new activities would build on existing ones (deeper and bigger). At the same time there should be increased focus on 'better' with improved monitoring and evaluation of all programme interventions.

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ANNEXES

Annex 1: TOR for Review of New Zealand's Development Assistance to Timor-Leste 2001-2007

Background

Timor-Leste has made significant gains in social and political development since achieving full independence in 2002. However, an uncertain political and security situation, widespread poverty and a stagnant economy, and a range of social problems continue to present significant challenges. In 2006 the state came close to collapse and over 15% of the nation's population was internally displaced amidst violence and widespread breakdown of law and order. Elections in 2007 were generally free and fair and led to the formation of a new government, but a high level of political distrust remains. After more than a year, approximately 100,000 Timorese are still living in camps, and sporadic security problems continue. Unresolved atrocities and grievances from 2006 have now been added to (in many cases amplifying and building on) those of 1999, the 1975-1999 Indonesian occupation and the 1975 civil war. The potential for further violence is real and is unlikely to diminish for a number of years.

Timor-Leste is the poorest country in Asia, with approximately 40% of people living with incomes of less than 55c per person per day²⁶. 80% of the population is dependent on agriculture, forestry and fisheries for their livelihoods²⁷, and poverty is especially widespread and severe in rural areas. High population growth and a consequently young population, a lack of basic infrastructure, and a stagnant economy, combined with a system of government that is still in formation, and weak capacity, present severe challenges for Timor-Leste's development. Unemployment, particularly of youth, is high, contributing to instability. Revenues from Timor-Leste's oil and gas reserves have started to flow into the country, and financing development is expected to be entirely within the capacity of the Government of Timor-Leste (GoTL) within a short time, although it is likely constraints on its capacity to convert this income into good development outcomes will remain for some time.

New Zealand is a small but important player in Timor-Leste. Geographical proximity and a long-standing relationship contribute to bilateral relations characterised by trust. New Zealand provided security in the aftermath of the independence ballot in 1999, and has done so again since the civil unrest in 2006. In turn, Timor-Leste has a relatively high profile with the New Zealand government and public. The upgrading of the Consulate General to full Embassy status in 2005 reflects New Zealand's intention to maintain a long-term engagement with Timor-Leste. Beyond the New Zealand Agency for International Development (NZ Aid) and the Ministry of Foreign Affairs and Trade (MFAT), the range of other government departments that have provided or are currently providing assistance to Timor-Leste includes the NZ Defence Forces and Ministry of Defence, NZ Police, Customs Service, Corrections, the

²⁶ UNDP (2006) *Timor-Leste Human Development Report 2006: The Path Out of Poverty: Integrated Rural Development*.

²⁷ World Bank Group and Asian Development Bank (2007) *Economic and Social Development Brief*.

Human Rights Commission, the Office of the Ombudsmen, the Electoral Commission and the Ministry of Health.

As a signatory to the Paris Declaration on Aid Effectiveness, New Zealand is committed to respect partner country leadership over their development policies and strategies, and to basing its overall support on partner countries' national development strategies, institutions and procedures, including the use of a country's own institutions and systems where possible. Following independence, Timor-Leste has developed a National Development Plan (NDP) on the basis of wide consultation, and a series of generally pro-poor and responsible Sector Investment Programmes (SIPs), and has established a Petroleum Fund for responsible and sustainable management of the nation's oil and gas revenues. The government elected in 2007 has stated its intention to update the NDP and develop Action Plans for each sector. Systems, processes, and capacity, however, continue to be weak. Paris Declaration commitments also include increased collaboration among donors and the use of common arrangements. In the Timor-Leste context, donor harmonisation is frequently led by the World Bank and United Nations agencies. In addition to its importance as a political force, the UN has played a key role in capacity building efforts and approaches. AusAID, who in 2007 replaced Portugal as the largest bilateral donor, also plays an important role among the development partners active in Timor-Leste.

NZAID's 2005-2015 Asia Strategy established that the Agency's primary focus in Southeast Asia would be on sustainable rural livelihoods, complemented by initiatives in education. Other relevant NZAID policies include those on Preventing Conflict and Building Peace, Achieving Gender Equality and Women's Empowerment, Growth and Livelihoods (draft), Human Rights, along with the Multilateral Engagement Strategy, and the Guideline on Working with Civil Society Organisations.²⁸

New Zealand's programme of official development assistance (ODA) to Timor-Leste is small compared to those of many other donors, and resources for programme administration are limited. Bilateral programme expenditure from July 2001 to June 2007 totalled just under NZ\$20 million, and NZAID's total expenditure in Timor-Leste totalled just over NZ\$27 million.²⁹ Previous to 1999, scholarships for study in New Zealand and grants to NGOs operating in Timor-Leste were provided through NZAID's Indonesia programme. The Timor-Leste bilateral programme was established in 1999. In high-level talks with the United Nations Transitional Administration to East Timor (UNTAET) in 2001, it was agreed that New Zealand's ODA would "provide direct and indirect interventions that contribute to the elimination of poverty, facilitate sustainable development and promote human rights generally," and that it would focus on basic education, community development, natural resource development and governance / institution / capacity building, with a geographic focus on projects in Dili, Covalima district, and Atauro Island. High-level talks with the new Government of Timor-Leste in 2003 saw NZAID's support concentrated on two key

²⁸ It should be noted that almost all of these strategies, policies and guidelines were developed subsequent to the adoption of NZAID's Bilateral Strategic Framework for Timor-Leste. They are referred to here not with the intention that the review should evaluate NZAID's ODA to Timor-Leste against these documents, but as important background information on the evolution of the Agency's thinking on good practice.

²⁹ By comparison, AusAID's ODA to Timor-Leste will be AUD72.8 million in 2007/08.

sectors - education and training, and community development - with governance and capacity building underpinning any assistance provided in these sectors. The previously agreed objective and geographic focus were retained, and it was further agreed that NZAID would provide assistance for agreed multilateral and local agency initiatives identified in the action plans of the NDP.

Accordingly, NZAID's bilateral programme has supported education, through the provision of technical assistance to the Ministry of Education, and to an NGO for the production of educational materials. An initial focus on early childhood education shifted gradually to primary education, to coincide with the Timorese Ministry of Education's prioritisation of the achievement of universal primary completion, in line with the Millennium Development Goal. An ambitious capacity building programme with the Timorese Ministry of Education is currently getting underway. Training assistance has been provided through scholarships for university level study and for English language training in New Zealand, and through several study tours.

Community development has been supported through the contestable Social and Community Development Fund, which has provided grants of up to US\$25,000 to local non government organisations (NGOs), community based organisations (CBOs) and, in a few instances, government departments, for social and community development efforts focusing on poverty alleviation, sustainable development, social development for disadvantaged communities, gender and participation issues. Good governance support has been provided in a range of areas, including through three World Bank-led multi-donor programmes for budget support and policy dialogue (Trust Fund for East Timor, Transition Support Programme, Consolidation Support Programme), contributions to United Nations-led multi-donor capacity building programmes, and support to NZ government departments for institutional strengthening and peace support operations, as well as bilateral technical assistance. Budget support has allowed the GoTL to save initial oil and gas revenues, but with a sustainable annual revenue stream of US\$300 million available for the government's budget each year from petroleum savings, may no longer be an appropriate form of development assistance.

Support for the protection and promotion of human rights has been provided through NZ Human Rights Commission assistance to Timorese state institutions, through the outreach work of a Timorese NGO, and via contributions to the operating costs of the CAVR (Reception, Truth and Reconciliation Commission) and Commission of Experts. Scoping work for an intervention in support of sustainable rural livelihoods began in 2006 and is ongoing. Health sector support has been provided through a NZ NGO and through attachments of senior Timorese health officials to NZ's Ministry of Health. Humanitarian assistance has also been provided through the bilateral programme on several occasions.

Beyond the bilateral programme, funding for humanitarian assistance, peace support operations, and for the work of NZ NGOs and consultancy firms has been provided through the Complex Emergencies, Natural Disasters, VASS (Voluntary Agencies Support Scheme) / KOHA-PICD (Partnerships for International Community Development) and NGO Strategic Relationships programmes, the Humanitarian Action Fund, and the Asia Development Assistance Facility.

From 2001 to 2003 NZAID's bilateral programme was managed by a Wellington-based Development Programme Manager (half-time) and the New Zealand Consul-General in Timor-Leste. A locally engaged Development Programme Officer (DPO) was employed in 2003. Since 2006, it has been managed by an NZAID Manager based in Dili (half-time), with the oversight of the NZ Ambassador, with Wellington-based DPM arrangements continuing as before. In 2007 the DPO position was reclassified as a Development Programme Coordinator (DPC) position.

NZAID will develop a new country programme strategy for Timor-Leste in 2007/08. Along with a review undertaken in October/November 2007 of the Social and Community Development Fund, which provides small grants to civil society organisations for community development activities, the current review will feed into development of the new country programme strategy.

Beyond NZAID, stakeholders with an interest in this review include MFAT staff in Wellington and in the NZ Embassy in Dili, the Timor-Leste Government, other NZ government departments including NZ Police and the Human Rights Commission, NZ and Timorese NGO partners, and other development partners active in Timor-Leste, including AusAID, the World Bank, and the United Nations Development Programme (UNDP).

Purpose

The purpose of this review is to draw pertinent lessons from NZAID's programme of assistance to Timor-Leste for the period 2001-2007 that will inform the development of a new country programme strategy and, in particular, the choice of the most effective and appropriate modalities for the Timor-Leste context.

Scope

The primary focus of the review will be on the relative effectiveness of aid modalities in responding to Timor-Leste's development needs. It will be beyond the scope of this review to establish the development effectiveness or impact of individual programme activities. Review conclusions and recommendations will be drawn from a desk study of documentation, and a small number of in-depth interviews in New Zealand and Timor-Leste. It will be beyond the scope of this review to conduct field investigations with the ultimate beneficiaries of NZAID's development assistance. The Social and Community Development Fund is the topic of a separate review and will therefore be excluded from this review.

It will also be beyond the scope of this review to conduct consultations or strategic analysis on the future shape of NZAID's development assistance to Timor-Leste, other than when this is a natural and inevitable part of the review of the programme to date. Recommendations arising from this review are to be based on NZAID's past experience in Timor-Leste. The review team should bear in mind that this review will be followed by a strategy development process which will be mandated to undertake consultations and strategic planning toward a new country programme strategy.

Objectives

1. To distil, from an examination of New Zealand's development assistance to Timor-Leste over the period 2001-2007, learning pertinent to New Zealand's ongoing development assistance to Timor-Leste in the following areas:

- Sustainable capacity development toward a legitimate, effective, responsive, accountable, and resilient state and other institutions
- The Paris Declaration principles of ownership, alignment, harmonisation, managing for development results, and mutual accountability
- Policy dialogue
- Appropriate aid modalities
- Conflict prevention and peace building
- New Zealand's areas of comparative advantage

2. On the basis of the above, make recommendations for New Zealand's future development assistance to Timor-Leste.

Questions

- To what extent has NZAID's programme of assistance been consistent with a focus on poverty reduction? To what extent has it contributed to the development of rural areas?
- Has NZAID's programme of assistance achieved an appropriate balance between supporting the executive arm of government, other state institutions, and civil society?
- Which modalities have been most successful in developing adequate country capacity in Timor-Leste in a sustainable manner?
- Which modalities, or mix of modalities, have proven most successful in facilitating country ownership and alignment with Timorese plans and systems?
- Which modalities, or mix of modalities, have enabled NZAID to effectively harmonise with other development partners' programmes?
- To what extent were other factors, beyond the particular modality or mix of modalities, critical to such successes (and failures), and what were these factors?
- How has NZAID's programme and general approach facilitated or hindered implementation of commitments to manage resources and improve decision-making for results, and to mutual accountability between Timor-Leste and donors (particularly New Zealand)?
- Part of NZAID's core business is to provide policy advice on ways to eliminate poverty. How have programme shape and modalities facilitated or obstructed this objective?
- Has NZAID's programme of assistance responded in appropriate ways to conflict situations, and effectively supported conflict prevention and peace building? Are there examples where it has hindered this, or exacerbated potential conflict?
- Has NZAID's programme of assistance effectively identified an appropriate niche for New Zealand development assistance, and capitalised on any comparative advantage New Zealand may have?
- How do the outcomes, impacts or changes brought about by NZAID's programme compare qualitatively with the amount of money spent?

Tasks

1. Meet with NZAID in Wellington at the outset of the review for a briefing.
2. Submit a draft methodology and implementation plan to NZAID for comment.
3. Review NZAID policies and strategies relevant to its assistance to Timor-Leste.

4. Review key documents relating to choice of aid modality in Timor-Leste, such as the latest Combined Sources Budget, Government Program, National Development Plan, Sector Investment Plans or other sectoral strategies and plans, design of the World Bank-led multidonor Planning and Financial Management Capacity Building Programme, Petroleum Fund-related documents, and recent UN reports.
5. Review the activities funded under the Timor-Leste bilateral programme from 2001-2007 and analyse the range and balance of sectors, beneficiary institutions / organisations, and modalities, the degree of poverty focus and analysis, the balance between support to urban and rural areas, and incorporation of NZAID's mainstreamed and cross-cutting issues (environment, gender, human rights, conflict prevention and peace building, HIV/AIDS).
6. Review the available documentation (principally proposals, financial authorities, contracts and reports) relating to the following activities, which are broadly representative of the different modalities NZAID has used in its programme of assistance to Timor-Leste:
 - Trust Fund for East Timor (multi-donor trust fund)
 - Transition Support and Consolidation Support Programmes (multi-donor budget support and policy dialogue programmes)
 - UNDP Support to Development Posts for the Government of East Timor, Institutional Capacity Development Support Project, Timor Advisor Services Initiative, Development Advisory Services, and Human Rights Capacity Building of the Provedoria for Human Rights and Justice programmes (support for the activities of multilateral agencies)
 - Education Sector Investment Programme Plan - Technical Advisor, and Trade Statistics Advisor (technical assistance)
 - Cooperation with NZ government agencies: Ministry of Health (attachments of senior health officials), Human Rights Commission (Human Rights Action Plan, capacity building for the Provedoria for Human Rights and Justice, news media electoral observation mission), NZ Police (Operation Tuituia)
 - Projects implemented by NGOs: Oxfam NZ, Fred Hollows Foundation, Care International (Lafaek magazine and conflict resolution with youth), Judicial System Monitoring Programme (community outreach)
 - New Zealand Development Scholarships
7. Conduct in-depth interviews with key stakeholders in New Zealand and Timor-Leste, including NZAID staff, NZ Embassy staff, the World Bank, UNDP, AusAID, contractors who have implemented the activities above, previous and current GoTL officials, NGO representatives, and relevant NZ government departments.
8. Prepare and circulate a draft report of findings, conclusions and recommendations that addresses the review objectives and key questions.
9. Prepare and present a final report, incorporating feedback and comment from NZAID.
10. Undertake debriefing with NZAID in Wellington, if required.

Team Composition

A two person consultancy team consisting of one international consultant and one local consultant is envisaged to ensure the following competencies are present:

- A deep knowledge and understanding of development issues
- Understanding of, and commitment to, NZAID's guiding principles
- Solid review/evaluation skills and experience
- Understanding and experience of institutional strengthening, capacity building, public sector governance and management, and government/civil society relations
- A broad understanding of, and commitment to, conflict prevention/resolution and gender equity issues, and an ability to integrate these into the study's methodology, analysis and reporting
- Knowledge and experience of rural livelihoods issues preferred
- Demonstrated knowledge and understanding of the social, cultural and political context in Timor Leste
- Well-developed communication and presentation skills, particularly in cross-cultural settings
- Well developed report writing skills
- A relevant post-graduate qualification preferred
- Tetun, Portuguese or Indonesian language skills would be advantageous

NZAID reserves the right to extend the contracts of the review team members to incorporate the subsequent strategy development process also.

Time frame and reporting

The duration of the review process is expected to be around 25-30 working days in total. It is proposed the review take place in February-April 2008, with a field visit to Timor-Leste in March 2008.

The report resulting from the review will address the objectives and questions set out above. It will be consistent with the NZAID *Guideline on the Structure of Review and Evaluation Reports* and the OECD/DAC *Evaluation Standards* (annexed). The draft report should be delivered electronically to NZAID Wellington by **14 March 2008**. The final report should be delivered electronically and in hard copy to NZAID Wellington by **04 April 2008**.

Follow-up

Following discussion with all internal stakeholders and an assessment of the review report, the NZAID programme team will present the final report to the NZAID Evaluation Committee for consideration, along with a plan for taking forward any recommendations. The Evaluation Committee will provide advice to the NZAID programme team on findings and recommendations and identify any lessons for wider programming and/or review processes within NZAID. The report will be used to inform the development of a new country programme strategy for NZAID's development assistance to Timor-Leste.

Copies of the final report will be distributed to the government of Timor-Leste, MFAT staff in Wellington and Dili, NZ and Timorese NGO partners, AusAID, the World Bank, UNDP, NZ Police, other NZ government departments.

Annex 2: Persons Met

In Wellington

NAME	POSITION AND ORGANISATION
	Programme Manager, TL, NZAID
	SAEG Monitoring and Results Adviser, formerly Counsellor Development Cooperation, Australian Embassy, Dili
	Team Leader (Asia)
	Development Program Officer
	SAEG Education Adviser
	SAEG Governance Adviser
	SAEG Institutional Strengthening Adviser
	SAEG Rural livelihoods Adviser
	DPM (KQHA)
	Coordinator ADAF
	NZAID DEM (formerly MFAT/Timor-Leste)
	Scholarships Officer, NZAID
	Director of Asia Division, MFAT
	Policy Officer, MFAT
	Deputy Director, Asia Division, MFAT
	SAEG Education Adviser
	Manager, Intl. Sector, Policy Div..NZ MoH
	Manager, Intl. Strategy, NZP
	Assist. Comm. Intl. Services, NZP
	Project Director, Fred Hollows Foundation (NZ)

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In Dili

NAME	POSITION AND ORGANISATION
	New Zealand Ambassador to TL
	NZAID Manager Dili
	NZAID DPC
	Rector, Dili Inst. Technology
	Country Director, World Bank
	Education Officer, World Bank
	Director of National Inst. Of Statistics
	Officer, National Inst. Of Statistics
	TA, National Inst. Of Statistics,
	Vice Rector, Academic, Dili Inst. Technology
	Outreach Officer, JSMP
	Outreach Officer, JSMP
	Advisor, World Bank, National Inst. Of Statistics
	Trade Officer, National Inst. Of Statistics
	Pro Rector, Resources, Dili Inst. Technology

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NZAID Education Consultants, Dili
Head of Mission, IrishAID
Director General, MoH
Coordinator, Don Bosco Training Centre
Deputy Prog. Officer, Jon Bosco Institute
MoH Secondment Recipient
NZAID Scholarship recipient
NZAID Scholarship recipient
NZAID Scholarship recipient
Scholarship Manager, TL AusAID PSCDP
Programme Manager, AusAID PSCDP
Provedor, TL Provedoria
Deputy Provedor, Provedoria
Country Director, CARE Intl
Assist Country Director, Crisis Prevention and Recovery, UNDP
Deputy Country Director, Programmes, UNDP
Senior Assistant Country Director, Poverty Reduction, UNBP
Coordinator, JSMP
Deputy Director, JSMP

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Annex 3: Table showing Spend by Modality

All figures in 000s

MODALITY	PROJECT	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	Total	As % All Years	As % last 3 years
Macro Policy Support	Transition Support CSP		500	500	1000	1450	1607	5,057	35%	44
Sector Level Program	Education TA Impl SIP				1	99	176	276	2%	2.3
Strategic Partnership	UNDP DAS		1134	500	225			1,859	20%	12
	UNV Dev Posts Provedor			341	279	290	120	1,030	0.7%	
NZAID-facilitated project	Scholarships	242	307	313	249	167	240	1,518	11%	
	SCDF	325	460	654	357	248	397	2,641	18%	26
	MoH				10	13	16	39	0.3%	
	Secondments (NZ Police)						675	675	5%	
Partner – managed Project	JSMP				129	18	67	215	2%	
	CARE					633	175	808	8%	15
	Fred Hollows					175	39	214	2%	
TA	Statistics		46	13		36	28	120	1%	<1
Total Spend these projects only		567	2,447	2,321	2,450	3,126	3,640	14,552	100%	
Total Programme Spend				3,521	3,183	3,559	4,439			

Note: These figures are intended to be indicative only. The calculations are made in relation to the projects covered by this Review so the Total Spend is the sum of each project and is based on the best available information. The figures for the total spend are given for comparison and it can be seen that there is sometimes a significant difference. The % figures are therefore clearly not applicable to total spend.

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Annex 4: Review Plan

Review Question	Evidence	Documents to Consult	People to Interview
<p>To what extent has NZAID's programme of assistance been consistent with a focus on poverty reduction?</p> <p>To what extent has it contributed to the development of rural areas?</p>	<p>What evidence is there of poverty focus? Is it explicit or implicit?</p>	<p>Design and monitoring</p>	<p>NZAID staff</p>
<p>Which modalities, or mix of modalities, have been most successful in facilitating country ownership and alignment with Timorese plans and systems? .. to effectively harmonise with other partner programmes?</p> <p>..how has NZAID's approach facilitated or hindered commitments to manage resources and improve decision making for results and mutual accountability?</p>	<p>How does each modality facilitate o.a.h.m.m?</p> <p>What opportunities does each offer?</p> <p>What have been the barriers to each?</p>	<p>NZAID documents</p> <p>World Bank report on Paris</p> <p>Research docs on harmonisation</p> <p>NZAID docs on modalities</p>	<p>AM, BW, PE</p> <p>SAEG Advisers</p> <p>World Bank as Trustee of CSP</p> <p>HoM, CD</p>
<p>To what extent were other factors, beyond the particular modality or mix of modalities, critical to such successes (and failures), and what were these factors?</p>	<p>Staff and resourcing</p> <p>Political imperatives eg Police</p> <p>Post conflict environment</p> <p>Development challenges</p> <p>Motivation/ relationships (MoH)</p> <p>Conceptualisation of capacity and evidence of intent to build it</p> <p>Evidence of results in capacity building</p> <p>FLD – longer and deeper?</p> <p>Scholarship alignment with NDP</p>	<p>Paris docs</p> <p>Post conflict docs</p> <p>ODF</p> <p>Political Economy of E Timor</p>	<p>BW, AM</p> <p>HoM, CD,</p> <p>World Bank</p> <p>UNDP</p>
<p>Which modalities have been most successful in developing adequate country capacity in a sustainable manner?</p>	<p>Clarity and focus of strategy</p> <p>Workload</p> <p>Where has policy advice actually been provided and by whom? If not, why? (Forums, NDP, CSP meetings)</p>	<p>Design docs/contracts/PAs/CoFicy</p> <p>Monitoring docs</p> <p>Education</p> <p>UNDP/DAS</p> <p>Scholarships</p> <p>MoH secondments (modalities)</p> <p>Trade Stats Adviser</p>	<p>Desk and Post Staff responsible for design and implementation</p> <p>SAEG/IS Adviser</p> <p>Ministries/ed and Health</p> <p>Alan Male</p> <p>National Div Staffs</p> <p>World Bank</p> <p>UNDP</p> <p>HW, AM</p> <p>CD, HoM, MoE</p> <p>WB</p>
<p>How have programme shape and modalities facilitated or obstructed NZAID's core business of providing policy advice on ways to eliminate poverty?</p>	<p>Clarity and focus of strategy</p> <p>Workload</p> <p>Where has policy advice actually been provided and by whom? If not, why? (Forums, NDP, CSP meetings)</p>	<p>Education and 7 contracts – how does modality impact on efficiency</p> <p>NDP</p>	<p>UNDP</p> <p>HW, AM</p> <p>CD, HoM, MoE</p> <p>WB</p>

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<p>Has the programme responded in appropriate ways to conflict situations and effectively supported conflict prevention and peace building?</p>	<p>Where is analysis and lesson learning held institutionally? What support is given to implement policy? Evidence of conflict sensitivity in design Are there missed opportunities Police</p>	<p>Design docs Analysis around April 2006 CARE paper</p>	<p>BW, AM, TF SAEG Advisers esp BT HoM, CD,</p>
<p>Has the programme achieved an appropriate balance between supporting the executive arm of government, other state institutions and civil society?</p>	<p>Balance for what purpose? In strategy? How has it changed over review period, special balance</p>	<p>Strategy Education Provedor</p>	<p>BW, AM SAEG Advisers HoM, CD,</p>
<p>Has the program effectively identified an appropriate niche for NZ development assistance and capitalised on any comparative advantage NZ may have.</p>	<p>How has niche been defined and identified? What evidence is there of actual niche Is/RL supply led or based on country need? How does it link to O.A, harmonisation What analysis exists</p>	<p>Asia Strategy, TL strategy Spreadsheet of Activities Development of RL program and issues – case study Ea – LAFAEK, ECE Scoping</p>	<p>BW, AM, SAEG Advisers HoM, CD, MoE,</p>

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Confidential Annex

Review of New Zealand's Development Assistance to Timor-Leste 2001-2007

The purpose of this annex is to elaborate on issues concerning the relationship between NZAID and MFAT. The main elements are also presented in the main report but, since it will be shared with a wide range of New Zealand and Timor-Leste stakeholders, this annex was requested to provide more information on those aspects which are sensitive.

It should be noted that, although the context of interviews was the Timor-Leste Review, MFAT also offered comments that sometimes extended beyond the Timor-Leste programme into other programmes in conflict-affected countries and into NZAID more generally. Where reference is made to the opinions of personnel it should therefore not be assumed that this necessarily applies to those working specifically on the Timor-Leste programme.

In discussion of the first draft of this Annex both MFAT and NZAID sought clarification on specific points and sought to justify their positions and opinions. However, the purpose of this Annex is to stimulate discussion on the issues, not to pass judgement on the agencies. For that reason the reviewers have declined the request to justify specific comments or to ensure that the views of each agency are 'balanced'. Where the issue is covered adequately in the main report it has been deleted here and the overall length reduced. This version aims, therefore, to present more clearly what each agency said about the other and to separate it from the reviewers' comments and suggestions for the way forward.

Comments made by the agencies about each other

The following comments reflect what each agency said about the other. Regardless of whether they are right or wrong, justified or unjustified, they are what people *think*.

MFAT sees NZAID as:

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NZAID sees MFAT as:

s. 9(2)(g)(i)

NZP commented that:

s. 9(2)(g)(i)

Comments from Donors

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During interviews with other donors in Dili both the World Bank and Irish Aid commented that there are two faces of New Zealand. They hear [] talking about the need to support GoTL policy in the long term and [] arguing that too much attention has been given to policy and strategy development and not enough action has happened on the ground. They were not commenting on whether either were right or wrong but on the fact that New Zealand is not speaking with one voice.

Comments from the Reviewers

The reviewers themselves observed most of the tendencies described above and so can endorse that they are more than subjective impressions from NZAID or MFAT or NZP about each other. In particular, in comparison with other donors the reviewers have experience of (notably AusAID and DFID), there is an observable lack of corporate public service identity in NZAID and a less strong voluntarily-stated commitment to whole of government approaches.

What was clear was that relationships between individual MFAT and NZAID staff are, for the most part, good. Where there had been substantive differences at Post, and these were openly acknowledged, there had also been a process to try to improve things. But it is a truism, in the reviewer's experience, that conflicts in society tend to play themselves out in the office. So, with the troubled history of Timor-Leste since 2006, and the understaffing of both Embassy and NZAID, combined with very cramped working conditions, it is to be expected that both clashes of mandate and personalities will happen. Management of processes is therefore critical, along with mentoring support to ensure that staff do not feel isolated in their specific agency roles.

The reviewers observed, in relation to the issue of whether NZAID staff 'hide behind their strategy', that there is, at least, a presentational issue in that NZAID cannot always articulate convincingly why holding to the strategy is important and relevant in Timor-Leste.

The Way Forward

As NZAID prepares to develop a new strategy for Timor-Leste it is important that MFAT is deeply involved in the process. The whole of government approach is a challenge for all donors but New Zealand is too small in Timor-Leste to be effective without it. NZAID needs to fully understand MFAT's political and other foreign and defence policy imperatives and seek to find ways in which development expertise can support those so that they are more effective. MFAT needs to be brought up to date with the international development agenda and what that means in terms of visibility and national interest. Each agency needs to be able to 'defend' their strategy based on evidence and to understand, where different approaches are taken, what the rationale is.

It will also be useful to bring contentious issues onto the table. At present, the preservation of relationships, which is admirable, may be inhibiting the free and frank discussion that is necessary to move beyond what sometimes comes across as passive resistance.

Another positive opportunity may be present in the formation of the whole of government groups for fragile states. It is unclear who actually has the lead on this but a lead is necessary to manage for results. All development agencies struggle to define their role in relation to the specialist government agencies so this will be a challenge for NZAID. But the fact that the group will form, and that it coincides with NZAID strategy development, means that there is potential to really work through the role of each agency to ensure that New Zealand presents a coherent and cohesive programme of support to Timor-Leste.

An outcome of the strategy process should be that MFAT and whole of government partners understand, respect and are committed to support the new NZAID strategy as a New Zealand development strategy.