



Evaluation of the European Union's Co-operation with Timor-Leste (2008-2013)

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***The opinions expressed in this document represent the authors' points of view
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ACRONYMS

ACP	African Caribbean Pacific countries
ADB	Asian Development Bank
ALA	Asian and Latin American countries
ASEAN	Association of South-East Asian Nations
BCTL	Central Bank of Timor-Leste
BS	Budget Support
CICL	Camões Instituto da Cooperação e da Língua (Centre CICL for Co-operation and Language), Ministry of Foreign Affairs, Portugal
CBDRM	Community Based Disaster Risk Management
CFT	Commission on Truth and Friendship
CPLP	Community of Portuguese Language Countries
CSP	Country Strategy Paper
CSO	Civil Society Organisation
DCI	Development Co-operation Instrument
DCI-ENV	DCI-Environment and sustainable management of natural resources thematic programme
DCI-FOOD	DCI - Food security thematic programme
DCI-NSAPVD	DCI - Non-state actors and local authorities in development thematic programme
DoL	Division of Labour
EAMR	External Assistance Management Report
EC	European Commission
ECHO	European Community Humanitarian Aid Office
EDF	European Development Fund
EIDHR	European Instrument for Democracy and Human Rights
EITI	Extractive Industries Transparency Initiative
EOM	Election Observation Missions
EPA	Economic Partnership Agreements
F.a.o	For the attention of
FCA	Finance, Contracts and Administration
FIP	Fórum das Ilhas do Pacífico – Pacific Islands Forum
GCI	Global Competitive Index
GDP	Gross Domestic Product
GFP	Gestão das Finanças Públicas – Public Finance Management
GIZ	Deutsche Gesellschaft für Internationale – German International Cooperation Agency
GoTL	Government of Timor-Leste
HDI	Human Development Index
HSSP	Health Sector Strategic Plan
IDP	Internally Displaced Person
IfS	Instrument for Stability
ILO	International Labour Organisation
IMF	International Monetary Funds
LRRD	Linking Relief, Rehabilitation and Development
MAF	Ministry of Agriculture and Fishery's
MDG	Millennium Development Goals
MoF	Ministry of Finance
NAO	National Authorising Officer
NBSAP	National Biodiversity Strategy and Action Plan
NDAE	National Directorate for Aid Effectiveness
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
OECD	Organisation for Economic Co-operation and Development
PALOP	Países Africanos de Língua Oficial Portuguesa
RDP	Rural Development Programme
RIP	Regional Indicative Programme
RRM	Rapid Reaction Mechanism
RSP	Regional Strategy Paper
SDP	Strategic Development Plan
UNDP	United Nations Development Program
UNMISSET	United Nations Mission of Support in in East Timor
UNMIT	United Nations Integrated Mission of Timor-Leste
UNTAET	United Nations Transitional Administration in East-Timor
WB	World Bank
WFP	World Food Programme
WTO	World Trade Organisation

EXECUTIVE SUMMARY

Objective and scope of the evaluation: the objective of this country-level evaluation is to assess the European Union's co-operation strategy with Timor-Leste over the period of the 10th EDF (2008-2013) while also taking account of co-operation efforts during the previous period (2006-2007). It focuses on the EU co-operation framework and all other official EU commitments to Timor-Leste apart from assistance from ECHO or initiatives undertaken by the European Investment Bank. It covers the focal sectors and areas in which the EU intervenes (institutional capacity-building, peace and stability, rural development, rehabilitation, health, support for state-building, food security, and support for Non-State Actors).

Context of the evaluation: Country Strategy Paper (CSP) preparation started in 2006/7 against a backdrop of public unrest and fighting. The priorities set for the 10th EDF-CSP-NIP aimed to create a peace dividend through investments in food security, sustainable rural development, health, and institutional capacity-building. Since the peaceful elections in 2007 the country has become gradually more stable, owing in part to increasing oil revenues, and the importance of donor support has declined significantly. Today nearly 90% of the State budget is funded from non-ODA sources, in contrast to the Government's 2002 budget, approximately 80% of which was funded by international partners. While that catapulted the country into "lower middle-income country" status, fragility and severe capacity problems persist nonetheless.

Methodology: the evaluation was carried out over a period of one year from 3rd December 2013, and was divided into desk, fieldwork and synthesis phases. Five evaluators were involved in the study. The field mission took place from 27 June to 12 July 2014. The evaluation is structured around nine Evaluation Questions and 43 Judgement Criteria. Data collection included a comprehensive literature review (200 documents), interviews (200 stakeholders in Timor-Leste, 20 in Brussels), five focus group meetings, a perception survey, and field visits to three districts. A contribution analysis approach was used to facilitate understanding of the causality linking EU interventions to change towards goals. The draft final report was presented in a Seminar in Dili on 18 November 2014.

KEY FINDINGS

Co-operation capacity to contribute to expected goals.

Most EU interventions were in line with national priorities and rural population needs, as well as supporting Timor-Leste's regional integration and international relationships in recognition of the priority attached by the Government to these goals. But although the focal sectors maintained their relevance to the goals of poverty reduction and state-building over the evaluation period, the **effectiveness** of the EU Co-operation was seriously constrained by several factors, including:

- i) **ambiguity** as to whether the prime focus of the Co-operation should be on capacity development and technical assistance, or rather on political co-operation; the weak definition of the political dimension of the Co-operation reflected a lack of clarity of co-operation priorities due to internal disconnects and the partially overlapping mandates of EEAS and EuropeAid;
- ii) a **failure** to achieve a coherent response and to match management, human resources, political and policy dialogue to the ambitious poverty reduction and state-building goals;
- iii) the **slow** EU response to Timor-Leste's economic growth and the need to adjust the assistance paradigm, still largely based on the premise of co-operation with a poor country.
- iv) the EU acted as a **passive player** of development partners' initiatives, with limited capacity of proactive management and leadership, thus jeopardising key strategic choices;
- v) **inadequate** strategy preparation and intervention design; in particular:
 - inadequate adjustment to Timor-Leste's fragility and its weak national absorption capacities;
 - failure to take account of critical issues such as peace consolidation and structural socio-economic development constraints;
 - failure to address sector governance, and a lack of a policy reform agenda; *and*
 - inadequate design of operational choices and lack of a results-based focus.

Partnerships: significant opportunities were lost for establishing joint co-operation mechanisms with Member States and Development Partners, not least in the areas of strategy development, policy dialogue and learning. But the evaluation did find evidence of coordinated efforts and complementary action for interventions related to PFM reform and rural roads.

Internal EU processes and capacities: internal processes and capacities significantly restricted the effectiveness of EU Co-operation efforts. Constraints included: divided structures and functions; a lack of either management coherence or coordination between EEAS and EuropeAid; compartmentalized thematic focus; a focus on disbursements rather than results; and a corporate culture embracing a results-based management approach in theory but with limited application in practice. Human resource shortages in EuropeAid and the Delegation were a critical limiting factor. Learning mechanisms were established mainly at project level and uptake was limited and slow. Development co-operation procedures and systems are perceived by both Timorese officials and some EU officials as heavy and ill-adjusted to the Timor-Leste context.

Aid modalities and instruments: overall the project aid modality was appropriate to the context. However, to remain relevant the approach adopted by the EU will need to be adequately adjusted to the evolving fragility conditions. Projects and programmes produced outcomes at local and sector levels, with mixed effectiveness. Contributions to poverty reduction goals and state-building were considerably constrained by fragmented and non-strategic projects (poor design, lack of policy dialogue, absence of a well-defined results framework, limited attention to outcomes, shortfalls in partners' performance), and insufficient follow-up capacity in the Delegation, NAO and national institutions. Project support and financial instruments proved inadequately aligned with national systems and ill-adjusted to the fragile context. Conditions are slowly being established for applying complementary modalities (including budget support) to co-operation work. Thematic budget lines contributed to positive outcomes at project level but failed to impact at sector or national levels, owing to uncoordinated and non-strategic use of the instruments. Non-strategic use of regional instruments and an absence of critical mass limited impact. Financial instruments and projects would have significantly benefited from policy and political dialogue.

Sustainable development - rural development and health sectors: while the EU Co-operation supported Timor-Leste with a significant volume of projects and programmes targeting rural development and health, the design of agricultural development interventions failed to take adequately into account either the fact that Timor-Leste's agriculture is, in general oriented to subsistence, barter and - to a more limited extent - import substitution, or the fact that production for the market economy is marginal, production costs being very high and regionally uncompetitive.

Efforts have been largely relevant to the focal sector and national priorities, albeit with mixed performance and effectiveness. Rural roads interventions were in line with the highest national priorities and contributed to significantly reducing isolation and improving socio-economic development in rural areas. Water and sanitation projects reflected urgent needs and contributed to enhancing living conditions for beneficiaries. But while a few interactions and complementarities were established across projects, contributions to changes on the ground have been limited as efforts have remained fragmented and disjointed.

Institutional capacity-building was limited in scope and overall the EU Co-operation - apart from improved extension services - has not helped improve the Ministry of Agriculture's capacities and performance. National ownership of EU projects in general was low, focal sector support tackled neither policy development nor sector governance, and moreover they mostly - rural roads being one of the few exceptions - did not address structural factors affecting poverty, rural development and employment. Nor were the root causes of instability in rural areas addressed.

Cross-cutting issues: EU attention to cross-cutting issues was limited and perfunctory. Opportunities for gender mainstreaming and establishment of national capacities for gender empowerment were missed. The EU - notwithstanding that the physical environment is central to rural sector sustainability - did not develop a clear strategy and policy agenda in support of the threatened natural resources of Timor-Leste. The strategy did not address the issue of impunity, a critical issue for human rights and future stability.

Governance and state-building: the EU Co-operation has contributed to some extent to sustainable state-building and democracy at central level, although the outcomes were realised through isolated projects. However, a coherent approach (both conceptually and in practice) to supporting state-building and governance in a more strategic manner was not developed.

Civil Society support: 23% of EU financial support was directed to this end. The extent, scope and contribution of these efforts to co-operation goals appears constrained, *inter alia* by the lack of a robust strategy. EU support for Civil Society as a key partner in policy dialogue, accountability, human rights and the “women, peace and security agenda” has been relevant but limited in scope and fragmented. Support for the social services sector has been fragmented and hampered by a lack of policy dialogue with the responsible Ministries. Civil Society support does not go beyond disjointed, albeit relevant, project interventions. The EU is constrained by the limits of its capacity to manage thematic budget lines, and partnership with Civil Society was not prioritized. Civil Society Organisations perceive the EU as a valuable partner but expect a more prominent role in policy dialogue - a ‘genuine’ strategic partnership rather than exclusively financial support. Civil Society Organisations perceive EU bureaucratic procedures as an obstacle to co-operation.

Influencing long-term change and perceptions of EU Co-operation: significant and reliable finance assistance allowed implementation of a large project portfolio in pertinent focal sectors, with strong relevance to Co-operation goals. But long-term impacts have been limited and the EU has only partially influenced achievement of long-term national development goals. The “New Deal” offers a potentially useful framework for improving Co-operation impact, but so far limited mutual engagement indicates a gap between discussion and practice and low levels of awareness of what it really entails. Peace and stabilisation have been addressed by few interventions, mainly project-related, strategically unconnected, and lacking opportunities for addressing the long-term root causes undermining peace and stability. Yet despite lack of evidence of long-term impacts, the EU Co-operation is highly valued by local political leaders and is positively viewed by beneficiaries as genuinely supportive of Timor-Leste’s overall development and independence, indicating the importance to the country of political support and interest from a major global actor outside the region. The EU is perceived as an honest broker, interested in Timor-Leste’s development out of solidarity although, as highlighted, several actors, including Civil Society, would prefer to see more active EU involvement, including in sector leadership, policy dialogue, and support for gender and Civil Society.

CONCLUSIONS

The conclusions of this Evaluation are of two different orders. The first five are strategic in nature relating to the objectives and ambitions of the EU Co-operation in Timor-Leste. The second set of four conclusions relates more to the manner of implementation. The Recommendations are similarly split into two corresponding sets.

Strategic Conclusions

C.1 An insufficiently proactive mode of Co-operation. Timor-Leste has a strong interest in maintaining strong links with Europe, but the EU Co-operation, if it is to continue, needs to move into a more active mode with:

- i) more rapid adjustment to local changes,
- ii) enhanced sector leadership, political dialogue and counterpart engagement,
- iii) support for regional integration priorities, *and*
- iv) more vigorous support for policy reform, so as to better address state-building and help counter the fragility of the new State (including its persistent relative poverty in rural areas, extremely high youth unemployment, very low capacities and, not least, rapidly declining oil resources).

This will entail much clearer definition of priorities for the Co-operation so as to better reflect these socio-economic conditions and ensure that the problems of limited engagement, internal

contradictions, weak strategy, poor design, lack of focus on results and effectiveness, and a fragmented and disjointed approach, are firmly addressed. Moreover it will require a completely new follow-up paradigm marked by clearer goals and political focus and also more effective management, which will entail, *inter alia*, increased management coherence and better coordination between EEAS and EuropeAid.

C.2 EU Co-operation strategy and implementation: limited effectiveness. The design of the 10th EDF strategy provided a broad and relevant outline for sector-level strategic choices, but undue haste in preparation impeded development of an adequately effective strategy for addressing co-operation goals. The design lacked stakeholder participation, with only very limited involvement of Member States, Government counterparts, or Civil Society, and only limited consultation with development partners. Moreover, while key 11th EDF strategic choices were already defined prior to this evaluation, it is noteworthy that similar conclusions drawn for the 10th EDF strategy also apply to the current state of preparation of the 11th EDF programme.

The following points summarize conclusions on co-operation effectiveness relating to important evaluation issues:

- Opportunities to achieve high impact on **state-building** were impeded by a piecemeal strategy and fragmented project implementation, with consequently limited effectiveness in building capacities to manage domestic resources (in agriculture and the expanding oil economy), thus limiting the building of a sustainable economy and a productive, well-governed State.
- **Peacebuilding** was only marginally supported - a critical gap in EU strategy - with an absence of efforts addressing underlying instability factors.
- Support for **the Women-Peace-Security agenda** (“1325”) was limited to financial assistance to UN and Civil Society initiatives; no **gender perspective** was mainstreamed into the overall strategy and the Co-operation did not strengthen key national institutions in support of women’s empowerment. Nor did the EU engage in political or policy dialogue to support these issues.
- **Sustainable development** was hardly promoted, as the Co-operation lacked engagement in sector leadership and failed to address structural sector constraints, tackle policy reforms, or invest in sector governance. Fragmented implementation, weak national ownership and other design issues further limited contributions to sustainable development. While the rural roads and water and sanitation programmes effectively addressed key development priorities, institutional capacity-building was overall very limited in scope and, apart from agricultural extension services, institutional performance remained very weak over the evaluation period.
- Support for **human rights** was very limited by a lack of strategic choices addressing issues of human rights and impunity.
- Specific actions addressed **environmental issues**, but, in this case too, the absence of strategic vision, a piecemeal approach, and a lack of engagement in policy dialogue all served to limit opportunities for contributing to long-term impacts.

C.3 Positive but limited EU engagement supporting Timor-Leste’s international ambitions.

EU support for Timor-Leste’s foreign policies is a dimension of co-operation perceived by senior government officials as providing dividends for national sovereignty and independence. Several financial and non-financial efforts were made to promote Timor-Leste’s international partnerships and dialogue, linkages to the Pacific Forum and to PALOP. The process promoted international exposure, for example through exchanges, interactions and partnerships; but it is too early to assess outcomes. Disconnects within the EU system and limited dialogue with the government adversely affected clear definition of priorities and in consequence impeded a more strategic approach to foreign policy support, as well as more effective use of regional financial instruments in support of international ambitions.

C.4 The weakness of policy dialogue significantly reduced the effectiveness of EU Co-operation. The lack of EU engagement in policy dialogue with Timor-Leste is one of the aspects which has most weakened the Co-operation’s effectiveness. This has limited mutual commitment, national ownership, support for institutional reform and policy development, and opportunities for

long-term impacts on co-operation goals. The absence of policy dialogue is related to limited EU Delegation resources, the low-profile and passive mode of intervention, and the lack of a clear assessment and vision of a policy agenda. This implies the need for a complete change in the EU Co-operation's approach and the need to improve the image of the EU as a visibly active and fully committed partner, including in policy and political dialogue.

C.5 Partnerships: EU Co-operation has been more a financier than a strategic partner.

Frequent information exchanges were established, with regular interactions with development partners who were involved in consultation and had a role in delegated co-operation management as project implementers, at times leading dialogue with the Government. However, the Co-operation lacked the capacity to actively promote strategic partnerships which would have strengthened its capacity to contribute to co-operation goals. Partners, including Member States, were not actively involved in strategy design, support for institutional change, sector reform or lesson-learning. The main role for Civil Society was as project implementer or project beneficiary, but it was not involved as a partner in the design, implementation, or oversight of EU Co-operation.

Conclusions on the implementation of EU Co-operation

C.6 Inadequate human resources limited most Co-operation functions. Co-operation with Timor-Leste is particularly demanding in terms of human resources because of the general scarcity of well-trained personnel at all levels in Government and institutions. The EU Co-operation did not invest in human resources sufficiently to support its ambitious goals effectively. Delegation resources were overstretched with limited capacity to address major co-operation functions. Delegation staff mainly had a role of administration of financial co-operation, with limited opportunities to focus on results.

C.7 Aid modalities and financial instruments were relevant, but their non-strategic use reduced their effectiveness. Project support, the main aid modality throughout the 10th EDF, did produce some outcomes contributing to Co-operation goals. But the results were mixed and overall, while co-operation aid modalities were relevant, they were inadequately adjusted to the context and were used in a non-strategic way. Their effectiveness was reduced by limited political dialogue, limited national ownership, lack of engagement in policy development, inadequate design, and a focus on compliance and disbursement rather than results. The recent introduction of Budget Support facilitated better dialogue with the Ministry of Finance and provided access to governance dialogue platforms, but it is too early to assess the outcomes and, in any event, the relevance of Budget Support is limited by the absence of financial deficits. Financial instruments were relevant to Co-operation goals but their contribution to long-term impacts was impaired by fragmented and non-strategic use, poor design, and lack of Co-operation engagement in policy development.

C.8 Co-operation mechanism needs strengthening. The Co-operation did not develop a comprehensive management and monitoring mechanism to track progress towards desired changes. Learning mechanisms made few contributions to co-operation effectiveness; uptake was limited and slow. M&E was focused at project level, with limited feedback on progress toward Co-operation goals. The NAO office had limited capacity to support co-operation effectively, including aspects of strategy definition, quality control, implementation, monitoring and evaluation of co-operation interventions, and communication with the line ministries and the Ministry of Finance. The move of the NAO to the Ministry of Foreign Affairs in 2013 may work in favour of Co-operation support for foreign policy, but is less strategic in terms of monitoring and managing contributions to development and poverty reduction goals.

C.9 "New Deal": inadequate efforts made to adjust to fragility. The "New Deal" is recognised as a potentially useful framework for advancing policy dialogue and improving practice in support of peace-building and state-building. Yet within the EU the understanding of its potential is still very limited and its application at a very early stage; national capacities and awareness are also low.

RECOMMENDATIONS

Strategic Recommendations

R.1 Define a new paradigm for EU Co-operation with Timor-Leste. EU Co-operation with Timor-Leste should continue, but only with clear definition and articulation of the *raison d'être* and the scope of the Co-operation, taking into account oil revenues, the expanding economy, instability, low capacities and the urgency of consolidating a stable and sustainable State. The new paradigm should be defined by full, mutual and verifiable political engagement, a clear commitment to and capacity for promoting policy dialogue and focal sector reform, and formulation of an effective strategy based on the assumption that development in Timor-Leste is no longer constrained by lack of financial resources. A well-defined results framework with close monitoring of progress should support the new co-operation paradigm. (F.a.o.: *EEAS, EuropeAid senior management and EU Delegation*)

R.2 Design an effective operational strategy. If conditions are set for the new paradigm and effective co-operation (see R.1), then strengthen the strategy to improve opportunities for effective contribution to the goals of poverty reduction, state-building, peace consolidation and sector development. To that end:

- (i) address sector governance through focal sector support and attention to the policy and regulatory framework, development of anti-corruption measures, improved oversight and accountability of national systems;
- (ii) build the strategy design on lessons from the 10th EDF, including positive results (such as on PFM reform and rural roads);
- (iii) connect PFM reforms to sector level reforms, including operationalization of concrete planning and monitoring frameworks;
- (iv) rebalance 11th EDF programming towards more strategic and complementary engagement in peace-building, state-building, poverty reduction and gender-related issues;
- (v) integrate Women-Peace-Security agenda throughout the strategy, establishing linkages and complementarities between currently disjointed actions;
- (vi) support efforts to end impunity for human rights violations committed during the Indonesian occupation, as a *sine qua non* for a sustainable foundation for peace;
- (vii) mainstream gender and environment in strategy and intervention design, aiming to establish an appropriate policy and legislative framework and national capacities;
- (viii) ensure that political and policy dialogue actively support gender and human rights issues.

(F.a.o.: *EU Delegation in close consultation with NAO, Line Ministries, Development Partners and Civil Society*)

R.3 Support Timor-Leste in its international relations. Recognize the importance of the EU Co-operation for the independence of Timor-Leste, and develop a more strategic approach to supporting national foreign policy ambitions; Design a clear strategy for supporting Timor-Leste foreign policy, in line with EU interests and Co-operation priorities. (F.a.o.: *EEAS / EU Delegation*)

R.4 Engage effectively in policy dialogue. Establish with the NAO and each relevant Ministry - with the overarching support of the Prime Minister - a solid policy dialogue to underpin the effectiveness of financial assistance to Timor-Leste. Develop a clear agenda and road map for policy development and a well-defined outcome-based results framework. Embed policy engagement in sector work and ground it in trust, constructive relationships, pro-active sector leadership, and timely results. Devise and employ specific complementary strategic approaches for strengthening policies. (F.a.o.: *Senior EEAS management, and EU Delegation, in close consultation with Prime Minister, NAO and Line Ministries*)

R.5 Build strategic partnerships. Position the EU as sector leader or co-leader. Strengthen synergies and develop joint action with Member States, including participation in strategy, programming and evaluation. Develop strategic partnerships with Development Partners, ensuring that systematic assessment of partners' performance informs new contracts and partnership development. Promote co-operation with Civil Society as important partners, with a clear strategy and road map, establishing mechanisms for improving dialogue between Civil Society and

institutions, and supporting work partnerships for focal sector governance and policy reform. (F.a.o.: *EU Delegation*)

Recommendations on the implementation of EU Co-operation

R.6 Provide adequate human resources for an effective Co-operation effort. Recognize the labour-intensive nature of co-operation with Timor-Leste and strengthen the Delegation's human resources in coherence with the new paradigm. Develop resources in terms of number, expertise, authority and capacities for sector leadership and policy dialogue, in line with the Timorese context and programme priorities. Define results-based job descriptions for human resources involved in EU co-operation. (F.a.o.: *EEAS and EuropeAid management*)

R.7 Reinforce aid modalities and financial instruments. Improve project support and other aid modalities, improving and adjusting their design to the specific context of Timor-Leste while strengthening alignment, ownership and management-by-results. Make more strategic use of a broader spectrum of aid modalities and financial and other instruments (including management modalities) to strengthen implementation mechanisms. Ensure that the strategy for each instrument takes into account:

- (i) the dialogue framework and possible contribution to policy development;
- (ii) an outcome-based results framework related to sector goals;
- (iii) capacity-building goals;
- (iv) opportunities for partnerships; and
- (v) complementarities to be developed with other instruments and non-financial efforts.

Furthermore, should the opportunity arise, combine a contained, cautious and selective use of Budget Support with effective engagement in political and policy dialogue as a potentially useful additional tool for promoting change and for targeted and limited interventions in support of strengthened State functioning. (F.a.o.: *EuropeAid, Regional and Thematic budget line desks, EU Delegation*)

R.8 Strengthen Co-operation mechanisms. To improve performance and increase effectiveness, promote strengthened NAO capacities, a monitoring system supporting management-by-results, and enhanced strategic focus of evaluations. (F.a.o.: *Entirely directed to EU Delegation in close consultation with NAO*)

R.9 “New Deal”: shift from discourse to practice. Establish a clear results-based road map for strengthened mutual engagement in the “New Deal” for Timor-Leste (F.a.o.: *EU Delegation*)

SUMÁRIO EXECUTIVO

Objetivos e desafios da avaliação: o objetivo desta avaliação em âmbito nacional é o de avaliar a estratégia de cooperação da União Europeia com Timor Leste durante o período de execução do 10.º FED (2008-2013), levando em conta, além disso, os esforços de cooperação durante o período anterior (2006-2007). Esta avaliação incidiu sobre o quadro de cooperação da UE e todos os outros compromissos oficiais da UE com Timor-Leste, com exceção da assistência fornecida por ECHO ou iniciativas levadas a cabo pelo Banco Europeu de Investimento. A avaliação abrange as áreas e setores em que a UE intervém (reforço da capacidade institucional, da paz e da estabilidade, do desenvolvimento rural, reabilitação, saúde, apoio à construção do Estado, a segurança alimentar e apoio a atores não-estatais).

Contexto da avaliação: A preparação do Documento de Estratégia Nacional (CSP) foi iniciada em 2006/7 em um cenário de agitação pública e de conflito. As prioridades estabelecidas para o 10º FED-CSP-NIP tiveram como objetivo criar um dividendo de paz mediante investimentos em segurança alimentar, desenvolvimento rural sustentável, saúde e construção de capacidade institucional. Desde as eleições pacíficas em 2007 o país tornou-se gradualmente mais estável, devido, em parte, ao aumento das receitas provenientes do petróleo e a importância do apoio dos doadores diminuiu significativamente. Hoje cerca de 90% do orçamento do Estado é financiado a partir de fontes não-APD, em contraste com o orçamento público de 2002, quando, aproximadamente, 80% foi financiado pelos parceiros internacionais. Simultaneamente o país encontra-se numa situação de "país de renda média baixa" com graves fragilidades e problemas de capacitação ainda persistentes.

Metodologia: a avaliação foi realizada durante mais de um ano, iniciando a partir de 1º de dezembro de 2013, e foi dividida em: uma fase documental, fase de trabalho de terreno e uma fase de síntese. Cinco avaliadores foram envolvidos no estudo. A missão de terreno teve lugar de 27 junho a 12 julho de 2014. A avaliação é estruturada em torno de nove quesitos e 43 critérios de julgamento. A coleta de dados incluiu uma ampla revisão da literatura (200 documentos), entrevistas (200 atores interessados em Timor-Leste e 20 em Bruxelas), realização de cinco grupos focais, uma pesquisa de percepção e visitas de campo a três distritos. Foi utilizada uma abordagem de análise de contribuição para facilitar a compreensão da causalidade entre as intervenções UE e as mudanças produzidas em direção aos objetivos. O esboço de relatório final foi apresentado em um seminário em Dili em 18 de Novembro de 2014.

PRINCIPAIS RESULTADOS

A capacidade da cooperação em contribuir para os objetivos esperados.

A maioria das intervenções UE estavam em linha com as prioridades nacionais e as necessidades da população rural, bem como ao apoio à integração regional e relações internacionais Timor-Leste 'em reconhecimento à prioridade dada pelo Governo para esses objetivos. Mas, embora os setores fulcrais tenham mantido sua relevância no quadro dos objetivos de redução da pobreza e da construção do Estado durante o período de avaliação, a **eficácia** da cooperação UE foi fortemente condicionada por vários fatores, incluindo:

- i) **ambiguidade** quanto ao fato de que o foco principal da Cooperação deveria ser o desenvolvimento de capacidades e a assistência técnica ou, ao invés disso, a cooperação política; a frágil definição da dimensão política da Cooperação refletiu na falta de clareza de prioridades de cooperação em razão de desconexões internas e à sobreposição parcial de os mandatos entre a SEAE e EuropeAid;
- ii) uma **falha** no alcance de uma resposta coerente e na adequação da gestão, recursos humanos, diálogo político e estratégico com as metas ambiciosas de redução de pobreza e de construção do Estado;
- iii) a **lenta** resposta da UE ao crescimento econômico de Timor-Leste e a necessidade de ajustar o paradigma de assistência, ainda em grande parte baseado na premissa de cooperação com um país pobre.

- iv) a UE agiu como um **jogador passivo** de iniciativas dos parceiros de desenvolvimento, com limitada capacidade de gestão e liderança proativa, comprometendo, assim, as escolhas estratégicas chaves;
- v) **inadequada** preparação estratégica e elaboração da intervenção, em particular:
- Ajuste inadequado à fragilidade de Timor-Leste e às suas limitadas capacidades nacionais de absorção;
 - Falha na abordagem das questões críticas, como a consolidação da paz e as restrições estruturais ao desenvolvimento socioeconômico;
 - Falha no direcionamento do setor de governança e a ausência de uma agenda de reforma política; e
 - Concepção inadequada das escolhas operacionais e falta de foco baseado em resultados.

Parcerias: oportunidades significativas para o estabelecimento de mecanismos de cooperação conjunta com os Estados-Membros e os Parceiros de Desenvolvimento foram perdidas, nomeadamente nas áreas de desenvolvimento estratégico, diálogo político e da aprendizagem. No entanto, a avaliação encontrou evidências de esforços coordenados e ação complementar em intervenções relacionadas com a reforma da GFP e estradas rurais.

Processos internos e capacidades: Processos internos e capacidades restringiram consideravelmente a eficácia dos esforços de cooperação UE. As restrições incluem as estruturas e funções divididas, a falta seja de gerenciamento coerente ou coordenação entre SEAE e EuropeAid, foco temático compartimentado, mudança do foco nos resultados para aquele nos desembolsos e uma cultura corporativa, que adota somente na teoria uma abordagem da gestão voltada para os resultados, mas com a implementação limitada na prática. A escassez de recursos humanos em EuropeAid e na Delegação constituíram-se um fator crítico limitante. Mecanismos de aprendizagem foram estabelecidas principalmente no âmbito do projeto e da captação foi limitado e lento. Procedimentos e sistemas de cooperação para o desenvolvimento são percebidos, seja pela burocracia timorenses seja por aquela UE como pesados e pouco adaptadas ao contexto Timor-Leste.

Modalidades e instrumentos de ajuda: De maneira geral, a utilização da modalidade de ajuda através de projetos foi relevante ao contexto. No entanto, para continuar a ser relevante, a abordagem adotada pela UE terá de ser ajustada de forma adequada às condições de fragilidade em evolução. Projetos e programas produziram resultados em âmbito local e de setor, com eficácia mista. Contribuições para as metas de redução da pobreza e da construção do Estado foram fortemente limitadas por projetos fragmentados e não-estratégicos (má concepção, falta de diálogo político, ausência de um quadro de resultados bem definido, limitada atenção aos resultados, déficit no desempenho dos parceiros), além de insuficiente capacidade de acompanhamento por parte da Delegação, NAO e instituições nacionais. O apoio a projetos e instrumentos financeiros revelaram-se inadequadamente alinhados com os sistemas nacionais e pouco ajustados ao frágil contexto. Lentamente estão sendo estabelecidas condições para a aplicação de modalidades complementares (incluindo apoio orçamental) ao trabalho de cooperação. Rubricas orçamentais temáticas contribuíram para os resultados positivos no âmbito de projeto mas, não obtiveram impacto no âmbito de sector ou nacional, devido à utilização descoordenada e não estratégica dos instrumentos. O uso não estratégico dos instrumentos regionais e a ausência de massa crítica limitaram o impacto. Instrumentos financeiros e projetos teriam se beneficiado significativamente do diálogo político e sobre políticas.

Desenvolvimento sustentável - setores do desenvolvimento rural e saúde: Enquanto a Cooperação UE apoiou Timor Leste, com um volume significativo de projetos e programas voltados ao desenvolvimento rural e à saúde, a concepção das intervenções no âmbito do desenvolvimento agrícola não obteve o êxito adequado ao considerar o fato que a agricultura timorense é, geralmente, orientada à subsistência, permuta e – em menor medida - à substituição de importações ou, ainda, ao fato que a produção para o mercado é realizada em escala marginal, os custos de produção são muito elevados e não competitivos na região;

Os esforços para o setor focal e as prioridades nacionais têm sido amplamente relevantes, com desempenho e eficácia mistos. As intervenções em estradas rurais deram conta das maiores prioridades nacionais e contribuíram para reduzir significativamente o isolamento e melhorar o desenvolvimento sócio-econômico das áreas rurais. Além disso, projetos de abastecimento d'água e saneamento atenderam às necessidades urgentes e contribuíram para a melhoria das condições de vida dos beneficiários. No entanto, enquanto algumas interações e complementaridades foram realizadas através dos projetos, as contribuições para as mudanças no campo têm sido limitadas, bem como os esforços permaneceram fragmentados e desconexos.

A capacitação Institucional foi limitada em seu escopo e no conjunto da Cooperação EU. Com exceção dos serviços de extensão melhorada, não se observou uma melhoria das capacidades e do desempenho do Ministério da Agricultura. A apropriação nacional dos projetos UE, em geral, foi baixa. No apoio ao setor focal não foram abordados nem o desenvolvimento de políticas nem a governança do setor e, além disso, a maioria desses projetos – exceção feita às estradas rurais - não abordou fatores estruturais que afetam a pobreza, o desenvolvimento rural e do emprego. As causas da instabilidade nas áreas rurais também não foram abordadas.

Temas transversais: O interesse da UE às questões transversais foi limitado e superficial. Foram perdidas oportunidades para a integração de gênero e criação de capacidades nacionais para a igualdade de gênero. A UE - embora o ambiente físico é fundamental para a sustentabilidade do setor rural - não desenvolveu uma estratégia clara e uma agenda política de apoio aos recursos naturais ameaçados de Timor-Leste. A estratégia não levou em conta a questão da impunidade, uma questão crítica para os direitos humanos e estabilidade futura.

Governança e Construção do Estado: A cooperação UE contribuiu, em certa medida, para a construção sustentável do Estado e democracia em âmbito central, embora os resultados tenham sido obtidos por meio de projetos isolados. No entanto, não foi desenvolvida uma abordagem coerente (tanto conceitualmente quanto prática) para apoiar a construção do Estado e a governança de uma forma mais estratégica.

Apoio à Sociedade Civil: 23% do apoio financeiro UE foi direcionado a este fim. O alcance, escopo e contribuição desses esforços para os objetivos da cooperação parecem limitados, nomeadamente por falta de uma estratégia consistente. Apoio UE à Sociedade Civil, como um parceiro fundamental no diálogo político, responsabilidade, direitos humanos e na "agenda das mulheres, paz e segurança" tem sido relevante, mas, com um alcance limitado em seu objetivo e fragmentado. O apoio ao sector dos serviços sociais tem sido fragmentado e carece de diálogo político com os ministérios responsáveis. A UE é refreada pelas suas limitadas capacidades de gestão de rubricas orçamentárias temáticas e a parceria com a sociedade civil não é priorizada. As Organizações da Sociedade Civil percebem a UE como um parceiro valioso mas, demandam um papel mais proeminente no diálogo político - uma 'genuína parceria estratégica mais do que exclusivamente apoio financeiro. As OSCs percebem os procedimentos burocráticos da UE como um obstáculo à cooperação.

Afetando as mudanças a longo prazo e a percepção da Cooperação UE: uma assistência financeira, significativa e confiável, permitiu a implementação de um amplo portfólio de projetos em setores focais importantes e com forte relevância para os objetivos de cooperação. No entanto, os impactos a longo prazo foram limitados e a UE tem, meramente, uma influência parcial no alcance de objetivos de desenvolvimento nacional de longo prazo. O *New Deal* oferece uma estrutura potencialmente útil no incremento do impacto da cooperação, mas, até então, é limitado desde o ponto de vista do engajamento mútuo, em função da discrepância entre o discurso e a prática e aos baixos níveis de consciência do que ele realmente significa. A paz e a estabilidade têm sido abordadas em poucas intervenções, principalmente em projetos específicos, não estrategicamente conectados. Além disso, a falta de oportunidades para abordar, de maneira, mais profunda, as causas minam a paz e a estabilidade. No entanto, apesar da falta de evidências de impactos a longo prazo, a Cooperação UE é altamente valorizada pelos líderes políticos em Timor-Leste e é positivamente considerada pelos beneficiários pela sua contribuição global ao desenvolvimento e independência de Timor-Leste, indicando a importância, para o país, do apoio

político por parte do principal ator político fora da região. A UE é vista como um mediador honesto, realmente interessado no desenvolvimento de Timor-Leste para além da solidariedade. Vários atores, incluindo a sociedade civil, gostariam de ver uma participação mais ativa da UE, incluindo na liderança do setor, do diálogo político e no apoio ao setor de gênero e Sociedade Civil.

CONCLUSÕES

As conclusões desta avaliação são de duas ordens distintas. As cinco primeiras são de natureza estratégica acerca dos objetivos e ambições da Cooperação UE em Timor-Leste. O segundo conjunto de quatro conclusões refere-se mais à forma de implementação. As recomendações são igualmente divididas em dois conjuntos correspondentes.

Conclusões estratégicas

C.1 Uma modalidade insuficientemente proativa de Cooperação. Timor-Leste possui um forte interesse em manter fortes relações com a Europa, mas a Cooperação UE, caso deva persistir, precisa se manifestar de modo mais ativo com:

- i) Adaptação mais rápida às variações locais,
- ii) Reforço da liderança do setor, diálogo político e engajamento congênera,
- iii) Apoio às prioridades de integração regional, e
- iv) Apoio mais firme à reforma política, de modo a melhor encaminhar a construção do Estado e ajudar a combater a fragilidade do novo Estado (incluindo a relativa pobreza persistente nas áreas rurais, as taxas extremamente elevadas de desemprego entre os jovens, as baixíssimas capacidades e, não menos importante, a rápida contração dos recursos do petróleo).

Isso implicará numa definição muito mais clara de prioridades para a cooperação, a fim de melhor refletir essas condições socioeconômicas e garantir que os problemas de engajamento limitado, contradições internas, estratégia frágil, concepção pobre, falta de foco em resultados e eficácia e uma abordagem fragmentada e desarticulada, sejam firmemente enfrentados. Além disso, será necessário um paradigma completamente novo de acompanhamento marcado por objetivos mais claros e foco político e também uma gestão mais eficaz, o que implicará, nomeadamente, numa maior coerência de gestão e uma melhor coordenação entre SEAE e EuropeAid.

C.2 Estratégia da cooperação UE e implementação: eficácia limitada. A concepção da estratégia do 10º FED forneceu um amplo e relevante esboço para as definições estratégicas em âmbito setorial, no entanto, a injustificada precipitação em sua preparação impediu o desenvolvimento de uma estratégia eficaz para tratar adequadamente os objetivos de cooperação. O projeto carecia de participação das partes interessadas, tão somente com uma participação muito limitada de Estados-Membros, homólogos do governo ou da sociedade civil e apenas com uma consulta limitada aos parceiros de desenvolvimento. Além disso, enquanto as definições estratégicas do 11.º FED já haviam sido realizadas antes desta avaliação, há de se salientar que as conclusões tiradas para a estratégia do 10º FED também se aplicam ao atual estado de preparação do programa do 11.º FED.

Os pontos a seguir resumem as conclusões sobre a eficácia da cooperação em matéria de importantes questões de avaliação:

- Oportunidades para alcançar um alto impacto na **construção do Estado** foram perdidas por uma estratégia e implementação do projeto fragmentadas, o que, conseqüentemente, limitou a eficácia no reforço das capacidades para gerir os recursos internos (na agricultura e na economia do petróleo em expansão), limitando, assim, a construção de uma economia sustentável e um Estado produtivo bem governado.
- A **Consolidação da paz** foi apenas marginalmente apoiada - uma lacuna crítica na estratégia da UE - com a ausência de esforços que abordassem fatores de instabilidade subjacentes.
- O suporte à agenda de Mulheres-Paz-Segurança ("1325") limitou-se à assistência financeira a iniciativas das Nações Unidas e da sociedade civil; nenhuma perspectiva de gênero foi

integrada na estratégia global e a Cooperação não fortaleceu as instituições nacionais fundamentais de apoio à emancipação feminina. A UE também não se envolveu em um diálogo político ou de política de apoio a estas questões.

- O desenvolvimento sustentável foi mal promovido, uma vez que a Cooperação não se engajou na liderança do setor, além de não conseguiu resolver os constrangimentos do setor estrutural, atacar as reformas políticas ou, ainda, investir em governança do setor. A implementação fragmentada, a frágil apropriação nacional e outras questões de concepção limitaram, ainda mais, as contribuições para o desenvolvimento sustentável. Enquanto as estradas rurais e os programas de água e saneamento foram tratados de forma eficaz, as prioridades chaves para o desenvolvimento, capacitação institucional foram, geral muito, limitados no escopo e, além de serviços de extensão agrícola, o desempenho institucional permaneceu muito débil ao longo do período de avaliação.
- O apoio aos direitos humanos foi muito limitado pela falta de opções estratégicas que abordam questões de direitos humanos e impunidade.
- Ações específicas abordaram as questões ambientais, mas, também neste caso, a ausência de visão estratégica, uma abordagem fragmentada e a falta de engajamento no diálogo político concorreu para limitar as oportunidades de contribuir para impactos de longo prazo.

C.3 Compromisso UE positivo mas, limitado, no apoio às ambições internacionais de Timor-Leste. O apoio UE à política externa de Timor-Leste é uma dimensão da cooperação percebida por altos funcionários do governo como a promoção de dividendos para a soberania e independência nacional. Foram realizados vários esforços financeiros e não-financeiros para a promoção de parcerias internacionais e do diálogo de Timor Leste, interligações com o Fórum do Pacífico e os PALOP. O processo alavancou a exposição internacional do país através, por exemplo, de intercâmbios, articulações e parcerias. No entanto, ainda é muito cedo para avaliar os resultados. Desarticulações dentro do sistema UE e um diálogo limitado com o governo timorense prejudicou uma clara definição de prioridades e, em consequência, impediu uma abordagem mais estratégica de apoio à política externa de Timor Leste, bem como a utilização mais eficaz dos instrumentos financeiros regionais de apoio às ambições internacionais do país.

C.4 A fragilidade do diálogo político reduziu significativamente a eficácia da cooperação UE. A falta de compromisso UE no diálogo político com Timor-Leste é um dos aspectos que mais tem enfraquecido a eficácia da Cooperação. Esse aspecto tem limitado um compromisso mútuo, a apropriação nacional, o apoio à reforma institucional e o desenvolvimento de políticas, além das oportunidades de impactos de longo prazo no quadro dos objetivos de cooperação. A ausência de diálogo político está relacionada aos recursos limitados da Delegação UE, ao comportamento e modo passivos de intervenção e à ausência de uma avaliação clara e visão de uma agenda política. Isto implica na necessidade de uma mudança radical de abordagem da Cooperação UE e da necessidade de melhorar a imagem da instituição como um parceiro visivelmente ativo e totalmente comprometido, inclusive na política e diálogo político.

C.5. Parcerias: A Cooperação UE tem sido mais um financiador do que um parceiro estratégico. Foram estabelecidos intercâmbios de informações frequentes, com articulações regulares junto aos os parceiros de desenvolvimento envolvidos em consultação e que tiveram um papel na gestão da cooperação delegada como implementadores de projeto, às vezes realizando o diálogo com o Governo. No entanto, a Cooperação não teve a capacidade para promover ativamente parcerias estratégicas que teriam reforçado a sua capacidade de contribuir para os objetivos de cooperação. Parceiros, incluindo os Estados-Membros, não foram ativamente envolvidos na elaboração da estratégia, no apoio à mudança institucional, na reforma do setor ou nas lições aprendidas. O principal papel da sociedade civil foi o de implementador ou beneficiário do projeto. NO entanto, este ator não foi envolvido como um parceiro na implementação ou supervisão da Cooperação UE.

Conclusões sobre a implementação da cooperação UE

C.6 Recursos humanos inadequados limitaram assaz as funções da cooperação. A cooperação com Timor-Leste é particularmente exigente em termos de recursos humanos em função da escassez geral de pessoal qualificado em todos os níveis de Governo e instituições. A Cooperação UE não investiu, suficientemente, em recursos humanos de modo a apoiar os seus objetivos ambiciosos de forma eficaz. Os Recursos da Delegação foram sobrecarregados, com capacidade limitada para enfrentar as grandes tarefas de cooperação. O pessoal da delegação teve um papel, fundamentalmente, de administração da cooperação financeira, com oportunidades limitadas para se concentrar em resultados.

C.7 Modalidades da ajuda e os instrumentos financeiros foram relevantes mas, seu uso não estratégico reduziu a sua eficácia. O apoio do projeto, a principal modalidade de ajuda ao longo do 10º FED, produziu alguns resultados que contribuem para os objetivos de cooperação. No entanto, os resultados foram mistos e, no geral, enquanto as modalidades de ajuda da cooperação foram relevantes, estes, os resultados, foram inadequados ao contexto e utilizados de forma não estratégica. A sua eficácia foi reduzida em função do limitado diálogo político, da apropriação nacional limitada, da falta de engajamento no desenvolvimento de políticas, da inadequada concepção e de um foco voltado ao desembolso em vez de resultados. A recente introdução de Apoio Orçamentário facilitou o diálogo com o Ministério das Finanças e permitiu, além disso, o acesso a plataformas de diálogo de governação. No entanto, ainda é muito cedo para avaliar os resultados e, em qualquer caso, a relevância do apoio orçamental é limitada pela ausência de déficits financeiros. Os instrumentos financeiros foram relevantes para os objetivos de cooperação, mas, a sua contribuição para impactos de longo prazo foi prejudicada pelo uso fragmentado e não estratégico, pela concepção pobre e pela falta de engajamento da Cooperação no desenvolvimento de políticas.

C.8 O mecanismo de Cooperação necessita de reforço. A cooperação não se desenvolveu um mecanismo de gestão e monitoria abrangente de modo a acompanhar a evolução em direção às mudanças desejadas. Mecanismos de aprendizagem contribuíram, de algum modo, para a eficácia da cooperação; a execução foi limitada e lento. A M&E foi focada no âmbito do projeto, com um retorno limitado sobre o progresso em direção às metas de cooperação. O escritório NAO possuía limitada capacidade para apoiar a cooperação de maneira eficaz, incluindo aspectos de definição de estratégia, controle de qualidade, execução, acompanhamento e avaliação das intervenções de cooperação e comunicação com os ministérios e Ministério das Finanças. A mudança do NAO para o Ministério dos Negócios Estrangeiros, em 2013, pode ter jogado em favor do apoio à cooperação em matéria de política externa, mas é menos estratégica em termos de monitoria e gerenciamento de contribuições para o desenvolvimento dos objetivos de redução da pobreza.

C.9 "New Deal": esforços insuficientes realizados para ajustar à fragilidade. O "New Deal" é reconhecido como um quadro potencialmente útil para promover o diálogo político e melhorar as práticas de apoio à consolidação da paz e de construção do Estado. No entanto, dentro da UE a compreensão do seu potencial ainda é muito limitada e sua aplicação está em um estágio muito precoce; capacidades e sensibilização nacionais também são baixas.

RECOMENDAÇÕES

Recomendações estratégicas

R.1 Definir um novo paradigma para a Cooperação UE com Timor Leste. A Cooperação UE deve continuar, mas somente com uma definição clara e articulação da "*raison d'être*" e objetivo da cooperação, levando em consideração os recursos provenientes do petróleo, a expansão da economia, a instabilidade, as baixas capacidades locais e a urgência de consolidação de um Estado sustentável e estável. O novo paradigma deve ser definido pelo total mútuo e verificável engajamento político, por um compromisso claro e capacidade promoção do diálogo político e da reforma do setor focal, além da formulação de uma estratégia eficaz, baseada no pressuposto de

que o desenvolvimento em Timor-Leste já não é restrito por falta de recursos financeiros. Um quadro de resultados bem definido, com estreito acompanhamento da evolução deve apoiar o novo paradigma de cooperação. (Att.: SEAE, Diretoria de EuropeAid diretoria e Delegação UE)

R.2 Conceber uma estratégia operacional eficaz. Se as condições são definidas para o novo paradigma e uma cooperação eficaz (ver R.1), faz-se necessário, em seguida, reforçar a estratégia para melhorar as oportunidades de contribuição efetiva para os objetivos de redução da pobreza, a construção do Estado, a consolidação da paz e o desenvolvimento do setor. Para tal fim:

- (i) a governação do sector de endereço através de apoio ao sector focal e atenção para o quadro político e regulamentar, o desenvolvimento de medidas de combate à corrupção, a melhoria da fiscalização e responsabilização dos sistemas nacionais;
- (ii) criar o desenho da estratégia sobre as lições do 10.º FED, incluindo resultados positivos (como na reforma da GFP e estradas rurais);
- (iii) se conectar reformas da GFP para reformas setoriais, incluindo a operacionalização do planeamento concreto e estruturas de monitoramento;
- (iv) reequilibrar programação do 11.º FED no sentido do envolvimento mais estratégico e complementar na construção da paz, a construção do Estado, redução da pobreza e as questões de género;
- (v) integrar agenda Mulheres-Paz-Security em toda a estratégia, estabelecendo ligações e complementaridades entre ações atualmente desconexas;
- (vi) apoiar os esforços para acabar com a impunidade por violações dos direitos humanos cometidas durante a ocupação indonésia, como condição sine qua non para uma fundação sustentável para a paz;
- (vii) integrar o género e ambiente na estratégia e projeto de intervenção, com o objetivo de estabelecer uma política adequada e um quadro legislativo e capacidades nacionais;
- (viii) garantir que o diálogo político e da política de apoiar ativamente as questões de género e de direitos humanos.

(Att.: Delegação da UE em estreita colaboração com o NAO, ministérios interessados, parceiros de desenvolvimento e Sociedade Civil)

R.3 Apoio a Timor-Leste nas suas relações internacionais. Reconhecer a importância da cooperação UE para a independência de Timor-Leste e desenvolver uma abordagem mais estratégica para apoiar as ambições da política externa timorense; projetar uma estratégia clara para apoiar a política externa de Timor-Leste em linha com os interesses UE e as prioridades de cooperação. (Att.: SEAE/Delegação UE)

R.4 Envolver-se efetivamente no diálogo político. Estabelecer com o NAO e ministérios competentes - com o apoio global do primeiro-ministro - um diálogo político sólido para apoiar a eficácia da ajuda financeira a Timor-Leste. Desenvolver uma agenda clara e um roteiro para o desenvolvimento de políticas e um quadro de resultados baseado em resultados bem definidos. Incorporar o engajamento político no trabalho e concretizá-lo em confiança, relações construtivas, liderança do setor proativa e resultados em tempo útil. Conceber e empregar abordagens estratégicas complementares específicas para o reforço das políticas. (Att.: Direção Geral SEAE e Delegação da UE, em estreita colaboração com o primeiro-ministro, NAO e ministérios interessados)

R.5 Construir parcerias estratégicas. Colocar a UE como líder de setor ou colíder. Reforçar as sinergias e desenvolver uma ação conjunta com os Estados-Membros, incluindo a participação na estratégia, programação e avaliação. Desenvolver parcerias estratégicas com parceiros de desenvolvimento, garantindo que a avaliação sistemática do desempenho dos parceiros informe novos contratos e o desenvolvimento de parcerias. Promover a cooperação com a sociedade civil enquanto parceiros importantes, com uma estratégia e roteiros claros e roteiro, estabelecendo mecanismos para melhorar o diálogo entre a sociedade civil e as instituições, além de apoiar parcerias de trabalho para a governação do sector focal e reforma política. (Att.: Delegação UE)

Recomendações sobre a implementação Cooperação UE

R.6 Disponibilizar recursos humanos adequados para um esforço de cooperação eficaz.

Reconhecer a natureza do trabalho intensivo de cooperação com Timor-Leste e reforçar os recursos humanos da delegação coerentemente com o novo paradigma. Desenvolver recursos em termos de número, especialidade, autoridade e capacidades de liderança do setor e do diálogo político, em linha com o contexto e as prioridades programáticas timorenses. Definir descrições de cargos baseados em resultados para os recursos humanos envolvidos na cooperação UE. (Att. ..: SEAE e gestão de EuropeAid)

R.7 Reforçar as modalidades de ajuda e instrumentos financeiros.

Melhorar o apoio de projeto e outras modalidades de ajuda, melhorar e ajustar a sua concepção ao contexto específico de Timor-Leste, reforçando o alinhamento, a apropriação e a gestão baseada em resultados. Utilizar de modo mais estratégico um espectro mais amplo de modalidades de ajuda, de instrumentos financeiros e outros (incluindo as modalidades de gestão) para fortalecer os mecanismos de implementação. Assegurar que a estratégia para cada instrumento leve em conta:

- (i) o quadro do diálogo e da possível contribuição para o desenvolvimento de políticas;
- (ii) um quadro baseado nos resultados relacionados com as metas do setor;
- (iii) metas de capacitação;
- (iv) oportunidades de parcerias; e
- (v) complementaridades a serem desenvolvidas com outros instrumentos e os esforços não-financeiros.

Além disso, caso surja a oportunidade, combinar um uso definido, cauteloso e seletivo de Apoio Orçamentário com efetivo engajamento no diálogo político e da política como uma ferramenta adicional, potencialmente útil para promover a mudança e para intervenções específicas e limitadas de apoio ao funcionamento do Estado fortalecido. (Att.: EuropeAid, blocos de rubrica orçamental regional e temáticos, Delegação UE)

R.8 Reforçar os mecanismos de cooperação. Para melhorar o desempenho e aumentar a eficácia, promover as capacidades reforçadas do NAO, um sistema de monitoramento de apoio de gestão baseada resultados e maior foco estratégico das avaliações. (Att.: Totalmente dirigido à Delegação UE em estreita colaboração com o NAO)

R.9 "New Deal": mudança do discurso à prática. Estabelecer um claro roteiro baseado em resultados para o engajamento mútuo reforçado no "New Deal" para Timor-Leste (Att.: Delegação da UE)

The official, approved executive summary is the English version

O oficial, aprovado sumário executivo é a versão em Inglês

1. INTRODUCTION

The Evaluation of the European Union's co-operation with Timor-Leste for the period 2008-2013 is part of the 2013/2014 evaluation programme approved by the Development Commissioner.¹ The objective of the evaluation is to assess the co-operation strategy and its delivery during the period 2008-2013 and to provide relevant lessons for improving the effectiveness of future co-operation with Timor-Leste. This Draft Final Report is the third deliverable of the evaluation assignment.

Objectives and scope of the evaluation

The Terms of Reference outline two main objectives for this evaluation:

- To demonstrate accountability for the EU's engagement and provide the relevant external co-operation Services of the Commission and the wider public with an overall independent assessment of the Commission's past and current co-operation relations with Timor-Leste (2008 – 2013, while taking into account the EU's co-operation during the years 2006-2007)
- To identify key lessons in order to improve current and future EU strategies, programmes and actions.

The objective of the evaluation is to assess the European Union's co-operation strategy and its delivery and will focus mainly on the Co-operation framework and other official EU commitments with Timor-Leste during the period 2008-2013 and also the immediately preceding period (2006-2007).² Specific issues identified by the evaluation users³ are also included within the scope of the evaluation:

The evaluation is grounded in the following criteria:

- The value added of the European Union's interventions (at both strategic and implementation levels)
- The five OECD-DAC evaluation criteria (relevance, efficiency, effectiveness, impact, and sustainability)
- The "3Cs": Coordination and Complementarity of the EU's interventions with other donors' interventions (focusing on EU Member States); and Coherence between the EU's interventions in the field of development co-operation and other EU policies likely to affect Timor-Leste
- The overall fitness for purpose of each legal instrument used in achieving EU objectives in Timor-Leste.

2. CONTEXT OF THE EVALUATION

Timor-Leste has a complex historical background, which strongly shapes the country's present predicament. The tumultuous political developments of the last decade formed the background against which the 9th EDF CSP-NIP was implemented and the 10th EDF CSP-NIP was formulated. The latter task started in 2006 and was influenced by concerns among the Timorese population, its leadership and the international community that the country could slide into full-scale civil war. The priorities set for the 10th EDF-CSP-NIP aim at creation of a peace dividend through investments in food security, sustainable rural development, health, and institutional capacity-building.

To understand the country context and the background against which the European co-operation was implemented, a number of key issues emerging from the analysis of the political, economic and social situation need to be taken into account. Annex 11 of Volume 2 presents the details of this country context analysis.

¹ This evaluation was commissioned under the Framework Contract for the Evaluation of the European Commission's geographical co-operation strategies with "ACP" countries/regions (Lot 3), signed between the European Commission and a consortium led by Particip (Germany), and including Lattanzio Advisory Public Sector (LA, Italy), ECDFM (The Netherlands), ECORYS (The Netherlands), and Mokoro (UK).

² It is noted that several programmes envisaged in the framework of EDF10 only started in 2014 (PFM, BS, Nutrition, District roads), thus limiting the appraisal of overall EDF10 strategy implementation.

³ See Terms of Reference of the evaluation, section 3.3

History and cultural background:

- The past history with Portugal has strongly influenced and shaped up country leadership and choices including choice of Portuguese as official language
- The Government recognises the importance of maintaining close ties with Portugal to further strengthen its policy of independence and maintain its cultural identity, which is different from its Bahasa-Indonesia and English-speaking neighbours.
- Against a history of occupation, the establishment and maintenance of a wide international network with other countries, multilateral organisations and international (policy) networks is seen by the Government as a priority for maintaining its independence.
- Good personal relations with the EU leadership and former Portuguese political leaders have contributed to intensifying co-operation between EU and Timor-Leste.

Political situation and stability:

- The conflict-ridden past and an on-going looming threat of insecurity needs to be taken into account in the design of the 11th EDF CSP-NIP interventions. The transition from fragility to development has progressed significantly up to the present day and is showing encouraging signs of stability but has not yet reached a situation of sufficient 'resilience' as the Government of Timor-Leste's recent Fragility Assessment confirmed.⁴
- Uncertainties would increase if the current Prime Minister, Mr. Xanana Gusmão, would retire before the end of his term. As part of his present function he controls the army and police forces, which is seen as principal factor in the current stability of the country.
- The unsolved Sunrise-dispute with Australia raises concerns whether the country can benefit from further oil revenues as of the early 2020s.

Social-economic situation:

- Timor-Leste has strong population growth, limited employment opportunities, high poverty rates and growing inequality between urban centres and rural areas. This situation is a key motivator underpinning the EU's engagement in Timor-Leste.
- Youth unemployment constitutes a serious threat for the future stability of the country. Investments in the rural sector, and the development of a non-oil and agriculture-based economy, are relevant for countering current trends of rural-urban migration and for shaping employment opportunities.

The Government's development priorities and its institutional development:

- The comparatively limited Government funding for agricultural sector recurrent expenditures shows that little attention is paid to this sector, which should be a matter of concern as the EU has singled out rural development as one of its focal areas.
- Given the high poverty rates, budget allocations for social sectors appear low if compared to other budget lines. However, high retirement payments are made to former combatants so as to let them share in the growing wealth and keep potential conflicts under control.
- As a result of insufficient levels of well-trained human resources in the public sector, there is a high dependence on foreign technical expertise in the public sector. This is a major concern, raising questions on the extent to which reforms and changes are fully owned by Government.
- National institutions to ensure good governance of the country are in place but there are signs that they cannot cope effectively with rising risks of corruption and other challenges.
- NGOs monitoring Government action are active and are a potentially relevant group of actors in further strengthening the governance situation in Timor-Leste although their capacity is low.

The economy of Timor-Leste and international development partners:

- While ODA has increased in the period 2006 to 2012, the relevance of development partner contributions to Timor-Leste's development has significantly decreased over the past 12 years due to rising oil income. Today some 11% of the national budget is funded via development

⁴ g7+, New Deal & Fragility Assessment in Timor-Leste – Update to the Informal Donors Meeting – 1 Feb. 2013, Dili (Power Point Presentation)

partners, as compared with some 80% in the early 2000s. This impacts on the potential financial leverage of co-operation in promoting reforms.

- There are questions as to whether the Government pays enough attention to creation of a non-oil economy through, for example, stimulating SMEs, or to the emergence of a tourism sector and the development of agriculture for economic activities.
- The high dependence on oil revenues and the prospect of oil reserves drying up in the early 2020s without new oil fields being explored give rise to concerns as to how the growing costs of the development of the country (mainly for infrastructure development and the payment for consumer-related imports) and of the social payments for investing in peace can be paid in the future. These concerns confirm the need for investments in the non-oil economy.
- Timor-Leste was crowded with international donors as of the early 2000s, but the number of international agencies has reduced considerably over the recent years. Most notable was the departure of the UN mission by the end of 2012, but also the departure of other European aid agencies, notably Ireland, Spain, Sweden and France, and the sharp reduction of aid co-operation with the USA. The most prominent donors, next to the EU, are Australia, the World Bank, the Asian Development Bank, Portugal and Japan. China, Brazil, Indonesia, Malaysia and South-Korea show their presence, though portfolio's are overall small.

International and regional context:

- The diversity and intensity of international relations puts a heavy toll on the Government's limited capacities owing to the scarcity of qualified personnel.
- The lack of an agreed maritime boundary with Australia and a lack of agreement on the exploration procedures for the Sunrise field is a key political issue for the further development of Timor-Leste and a source of potential instability.
- Relations with different actors in Europe are highly valued. It provides the Government with good connections to another block of countries which have no strong geo-political interests in the region but which have so far been very supportive in helping to guarantee the independence of the country and support its development policies.
- Because of its good relations in South-East Asia, the EU is seen as a potential ally in supporting Timor-Leste's ambitions to become an ASEAN member
- Relationships with Indonesia are characterised today by good diplomatic and economic relations, while the Government of Timor-Leste keeps quiet regarding the recommendations on human rights of the Commission for Truth and Friendship (CFT). The Government is criticized by Civil Society Organisations for not doing enough to follow up human rights violations committed under the Indonesian occupation.

The EU's institutional context and policy priorities, informed by the international aid effectiveness agenda:

- With the Lisbon treaty entering into force on 1 December 2009, the EEAS was created under the authority of the High Representative for Foreign Affairs and Security Policy. Its purpose is to strengthen the EU on the global stage, give a higher profile to the EU's external action and enable it to project its interest and values more efficiently.
- On 1 January 2011 the EuropeAid Co-operation Office (AIDCO) and the Directorate General for Development and Relations with ACP States merged to form DG Development and Co-operation – EuropeAid. It is responsible for implementing the EU's external aid instruments. EuropeAid coordinates the actions of the EU institutions, the EU Member States and other EU actors around the Union's core values, objectives and common priorities. It has placed the fight against poverty, sustainable development and promoting democracy, peace and security at the heart of its co-operation policy, notably as part of the Millennium Development Goals (MDGs).
- In 2005 the EU signed the Paris Declaration on Aid Effectiveness to improve coordination, harmonisation and transparency and in 2011 it endorsed the New Deal on peace-building and state-building to better support fragile states (Busan High Level Forum on Aid Effectiveness).
- In 2011 the European Commission adopted the Agenda for Change Communication, which reinforced the EU's commitments to the MDG. The Agenda for Change aimed at creating higher-level impact development policy and practice to speed up progress on poverty eradication.

3 METHODOLOGY

The study has been carried out in three different phases in accordance with the Terms of Reference. The **Desk Phase** included the Inception stage and the Desk Review. The Inception stage included the collection and analysis of information relating to the national context and to the Commission's Co-operation with Timor-Leste. The review of documentation, of interviews⁵, and of the analysis of funding flows led to preparation of the Inception Report in April 2014. During the Desk Study the evaluation team developed the analysis of documentary sources and carried out additional interviews in Brussels. For **The Field Phase** the Team carried out evaluation activities in Timor-Leste between 27 June and 12 July 2014. Data collection tools included semi-structured interviews, focus groups, and community meetings. During the fieldwork the team carried out additional documentary analysis, designed and implemented a perception survey (58 respondents), and visited project sites. A debriefing with the EU Delegation was held at the conclusion of the country visit.

The **Synthesis Phase** has brought together the results of the previous phases in the final report. A significant part of the work of this phase involved triangulation and cross-checking of information, providing a sound evidence base for findings related to the nine Evaluation Questions and 43 Judgment Criteria. The first draft was discussed with the Reference Group and feedback allowed elaboration of this second draft to be shared with a wider audience and presented in Timor-Leste (18 November 2014). The final report is scheduled for submission on 2 December 2014.

The structured approach to data collection and analysis enabled the team to progressively complement and cross-check data, relying on different primary and secondary information sources. Information gathered from the various sources (literature review of more than 200 documents; semi-structured interviews with over 200 stakeholders in Timor-Leste and 20 in Brussels; five focus groups; 58 respondents to the stakeholder survey; and site visits) was combined, crosschecked and assessed, feeding into evidence-based responses to the nine Evaluation Questions. Contribution analysis⁶ was used to help understand linkages between EU Co-operation efforts and changes relating to goals of poverty reduction, State-building, and peace consolidation. The methodological approach and data collection tools are discussed in Annex 9. The bibliography is listed in Annex 2, and the list of people met is detailed in Annex 4.

Challenges and Limitations. The evaluation encountered no major challenges as documentary information was readily available, stakeholders fully accessible for interviews and meetings⁷ and field work carried out with the full support of EU Delegation and Co-operation stakeholders. Overall data collected and analysed had a level of quality and appropriateness adequate to the evaluation purpose, although the weakness of the co-operation result-based framework and the lack of a comprehensive monitoring system limited the quantitative appraisal of changes related to EU Co-operation interventions.

The following chapter presents evaluation findings for the 9 Evaluation Questions.

- EQ 1: Strategic relevance of EU co-operation,
- EQ 2: Strategic partnerships,
- EQ 3: EU processes and capacities,
- EQ 4: Aid modalities and instruments,
- EQ 5: Focal sectors and sustainable development,
- EQ 6: Supporting Timor-Leste through cross-cutting issues,
- EQ 7: State-building and governance,
- EQ 8: EU and Civil Society Organisations,
- EQ 9: Co-operation contributing to changes.

⁵ Short missions to Timor-Leste and Brussels were carried out during the inception phase, March 2014

⁶ See volume 2, Annex 9, detailed discussion and example on contribution analysis

⁷ The evaluation team notes however that it was not possible to organize interviews with EEAS and EuropeAid senior management responsible for Timor-Leste

4. EVALUATION FINDINGS

4.1 EQ1 STRATEGIC RELEVANCE OF EU CO-OPERATION

To what extent has the EU Co-operation been and is likely to continue to be strategically relevant to national development priorities and EU Co-operation policy frameworks?

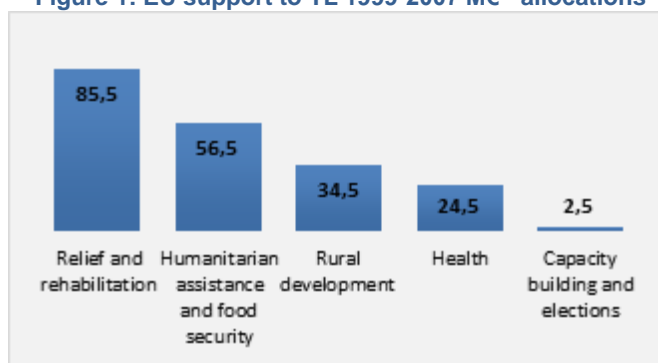
Summary Response Box EQ1

The evaluation assessed positively the relevance of the EU Co-operation to the goals and national priorities relating to the chosen intervention sectors. Individual projects were also consistently scored positively for relevance. However the EU Co-operation had very limited capacity for effectively contributing to the broader Co-operation goals of poverty reduction, State-building, peace and stability, and sector development.

Efforts have been made to take into account factors of fragility, weak capacities and alignment with national systems, but Co-operation choices were not informed by systematic analysis of these factors and appropriate design of operational responses; overall the EU Co-operation is still only partially adjusted to the context. Driving factors of poverty and instability have not been systematically addressed by the strategy; oil revenues and the growing economy demand a redefinition of the Co-operation's *raison d'être* and adjustment of its goals and strategy. The strategy did not address critical issues, including governance and peace building.

From 1999 to 2006 the EU provided €206,5M of financial assistance to Timor-Leste⁸ (see Figure 1), 70% of those resources (€145M) being for humanitarian assistance.⁹ The 2008-2013 cycle ensured continuity, maintaining the choice of the three non-humanitarian sectors (rural development, health and capacity-building).¹⁰ The resource allocation marked the transition from emergency to development, with a significant downscaling of emergency interventions, an adjustment which reflected the need to concentrate efforts on development. Resources were provided for the transition through an allocation of €4M from the Rapid Reaction Mechanism.¹¹

Figure 1: EU support to TL 1999-2007 M€ - allocations



Source: CSP 2008-2013

JC1.1 The EU Co-operation is strategically relevant to co-operation goals and MDG and is adjusted to the evolution of national priorities

The EU Co-operation identified focal sectors fully relevant to the goals of poverty reduction and State-building. Interventions matched national priorities and addressed rural population needs, contributing to MDGs related to poverty and health. Nevertheless, the strategy revealed some critical gaps. Indeed, operational strategic choices were not properly adjusted to the fragile context; they did not take into account structural constraints and were not supported by adequate design. In consequence the overall EU intervention had limited capacity to contribute to the expected goals.

The Timor-Leste Country Strategy Paper (2008- 2013) reflects the particular time and institutional arrangements during which it was compiled: In 2007 the EU Delegation was not yet established;¹² the country was still under the influence of the 2006 crisis, instability was a key concern for

⁸ Source: CSP 2008 - 2013

⁹ Including contributions to multi-donor Trust Funds and UN agencies and support to IDPs,

¹⁰ Capacity-building in the new co-operation cycle has been expanded into "institutional building"

¹¹ As a reaction to the political and humanitarian crisis of April/May 2006, the Commission adopted on 31 August 2006 measures under the RRM aimed at contributing to post-crisis stabilisation

¹² EU Delegation in Timor-Leste was opened in early 2008

Government and Development Partners;¹³ the international community and co-operation was shifting from providing humanitarian support to providing development support; given priorities at the time, EU staff in Dili had limited resources to dedicate to strategy development; and the low national capacities were completely absorbed by multiple requests from numerous donors and development partners. At the time poverty was also widespread, particularly in rural areas, the oil economy had not yet set in, and ODA represented the largest share of GDP.¹⁴ In these circumstances the strategy paper addressed familiar ground, favouring sectors in which previous work had been done and partnerships established; political dialogue and policy reform were not yet part of the EU agenda.

In 2007, 19 bilateral donors and several multi-lateral agencies were supporting Timor-Leste's development efforts¹⁵, interacting in a limited environment characterised by very limited national capacities. The EU was the fourth donor in terms of ODA, following Portugal, Australia and Japan. The situation left reduced leeway in terms of sector selection, as some agencies and organisations already had an active lead in specific areas.

Country Strategy Paper 2008 – 2013, focal sectors and indicative allocations

Indicative programme: €63M (A envelope)

1) Sustainable rural development: €35M

2) Health: €8M

3) Institutional capacity-building: €13M

4) Non-focal sectors: Support for Civil Society and Technical Co-operation Facility: €7M

Division of responsibilities was a key factor in the selection of intervention areas, and the EC Co-operation interacted positively with Member States and Development Partners¹⁶ for distribution of responsibilities.¹⁷ Rural development and agriculture, selected as a main focal sector, was a crowded sector, with about ten other donors and agencies actively involved, and only limited sector coordination. The 2008-2013 Co-operation strategy and aid volume reflects a multitude of EU priorities in Timor-Leste, which go beyond the conventional EDF goal of poverty reduction. Several informants confirmed that EU concern for Timor-Leste derives from historic ties¹⁸ and a European audience sympathetic to the Timorese people. Co-operation efforts also reflect European solidarity with the dramatic events preceding 2002. EU officials perceive that the volume of EU Co-operation has been considerably influenced by EC President Barroso¹⁹ who, as Portugal's former Minister for Foreign Affairs, built up privileged ties with Timor-Leste and its leadership during the period of Indonesian occupation. Portuguese lobbies have also supported an upscaling of EU Co-operation with Timor-Leste²⁰. Also, as effectively stated by a senior Member State co-operation manager, much support was given as "*nobody wanted to see a failed state*". The evaluation team did not find evidence of EU co-operation efforts being shaped by geo-political considerations or by economic and trade ties.

As planned by the cluster of indicators selected for EQ1²¹, the evaluation team specifically assessed the relevance of sectors and projects to co-operation goals. Choice of focal sectors appears entirely relevant to poverty reduction, EDF goals, MDGs, government priorities and population needs. Table 1 summarizes resource allocation by sector over the evaluation period.

The rural development and agriculture focal sector is relevant to poverty reduction, MDG1 and MDG7, matching national priorities and responding to population needs and high poverty levels in rural areas.

¹³ Interview with former EU staff working over 2006 – 2007 in Dili

¹⁴ The need to take into account the existing conditions by 2006 and 2007 have been reinforced by all interviewed stakeholders who participated to the effort, both in Brussels and in Dili

¹⁵ Source: CSP 2008 - 2013

¹⁶ See analysis in EQ 2

¹⁷ A study for Division of Labour was carried out by GIZ in 2012 and is being updated in 2014

¹⁸ A perception shared by many Timorese political stakeholders and leaders

¹⁹ Source: numerous and converging statements from EU stakeholders involved with Timor-Leste Co-operation

²⁰ Finding derived from stakeholders statements, interviews in Dili and Brussels

²¹ See evaluation matrix in Annex 3

The choice of the health focal sector is also relevant to the goals of poverty reduction, contributes to MDGs 4, 5 and 6 and matches with national priorities and population demands ²².

Table 1: EU-TL CSP 2008-2013 – 10th EDF Allocation (M€)

Sector		Initial 2007	After Addendum 2008	After Addendum 2012
Focal Sector	Sustainable Rural Development	35	43.5	43.5
	Health	8	10.0	20.2
	Institutional Capacity-building	13	18	18
Non Focal Sector	PALOP/Timor-Leste		2.5	2.5
	Non-State Actors & <i>ad hoc</i> support	7	7	7
Total		63	81	91.2

Source: EU-TL CSP 2008-2012 and addendum 2008 and 2012

Institutional capacity-building relates indirectly to poverty reduction, and its relevance depends on whether and how resources will be provided to develop the capacity of a viable State to address sustainable development and poverty reduction. The institution-building focal sector matches government priorities but only indirectly addresses population needs.

The review of the 10th EDF intervention framework and performance indicators confirms the relevance of goals and results, but also revealed key weaknesses in the strategy design: goals and results are set at ambitious levels without taking into account the limited financial envelope and human resources available for implementation. Definition of results is also very generic (with some exceptions, such as policy results for the rural development sector). The number and geographical distribution of results (several outputs are related to decentralized support) suggests a thin spread of EDF resources. No baseline or target values are offered to quantify changes; source of verifications are nonspecific; a list of perfunctory assumptions provides no insights as to feasibility studies, institutional assessments, market studies and other analyses defining the external environment. The intervention framework offers no indication of how projects and policy involvement will contribute to achieving results. The 10th EDF logic appears weak as agricultural sector goals cannot be achieved on the basis of the proposed results without first tackling structural constraints which limit production and marketing in Timor-Leste (see analysis in EQ 5).

The EU Co-operation strategy is assessed as ineffectual: the considerable volume of financial assistance has been fragmented in a number of disjointed measures, not significantly contributing to long-term change. Individual interventions produced outcomes at project level, but the aggregated benefits did not amount to significant changes at sector level and did not impact on poverty reduction in Timor-Leste.²³ Several factors limited the capacity of EU Co-operation with Timor-Leste to contribute poverty reduction and other long term goals ²⁴:

- **Lack of strategic vision, limited consultation and a shallow preparation process.** The EU Co-operation strategy was developed under pressure and with limited resources, following sparse consultation, including only limited involvement of Member States. The process was conducted through a top-down approach, which did not involve close consultation with national ministries and Civil Society. Moreover, the strategy was defined without thorough integration of the different components of EU Co-operation (main EDF funds, thematic budget lines, emergency assistance, political and policy dialogue).
- **Limited uptake of previous experience and context analysis.** Preparation was not sufficiently supported by a thorough review of previous efforts and lacked an in-depth assessment of the context, the chosen sectors, the existing capacities, and the degree of

²² Source: a) IRI opinion poll, October 2013, quantitative data, showing how health is one as of the top 10 priorities for respondents and amongst the first three issues that respondents feel should be tackled by the government and b) interviews (qualitative data)

²³ The finding of limited contributions to long term goals is further discussed in EQ 5; the finding is supported by different sources, including: i) quantitative analysis (scope of interventions compared to size of problems); ii) external assessments (evaluations and ROMs), iii) views from stakeholders, including interviewed beneficiaries, iv) contribution analysis, including analysis of external factors constraining impacts and v) analysis of strategic relevance of interventions – see bullet points below (i.e. analysis of the capacity of co-operation choices to affect expected goals)

²⁴ These findings are the result of the analysis developed through the nine Evaluation Questions

fragility of the country. The EU Country Strategy attempts to build on previous experience²⁵, but the few lessons mentioned appear lacking depth and perfunctory; critical lessons are missing²⁶. The same finding also applies to the ongoing programming cycle (2014 - 2020)²⁷.

- **Limited time and resources for strategic thinking.** At the time when the CSP was being formulated, the EU had a small technical office in Dili, manned by just one person who, moreover, had no mandate to conduct political dialogue. The many demands on this technical office at that time made it impossible to devote time and resources to the development of the strategy.²⁸
- **Key gaps in the strategy.** The EU strategy does not adequately take into account critical aspects that should have informed EU Co-operation choices; for example:
 - governance: the lack of a specific focus on governance appears to the evaluators as a critical gap in the strategy design
 - peace and stability consolidation; although the CSP provides a summarized assessment of the context of instability, the EU did not develop a strategy for mainstreaming peace consolidation in its efforts (see analysis in JC9.2)
 - need to adapt co-operation efforts to the situation of fragility (see JC1.2 and 9.1)
 - need to support State-building, governance (including sector governance) and the capacity to deliver; this aspect, already relevant in 2007/2008, is vital in the current configuration in which national capacities, rather than financial resources, are the main factor limiting development (see EQ7)
 - need to address the structural factors determining poverty (see JC1.3 and EQ5)
 - the strategy and implementation do not recognize the importance of political and policy dialogue in achieving the desired goals, and a policy reform agenda is lacking (see JC3.4, 5.6 and 7.5). The strategy and programming do not provide a comprehensive and operational results-based framework for effective co-operation.²⁹

JC1.2 The EU Co-operation strategy and efforts support the regional and international ambitions and priorities of the government of Timor-Leste

The CSP does not include a specific strategy for supporting regional integration, although under non-focal sectors it takes into account the PALOP for funding “governance initiatives”. However, in implementation the EU Co-operation has recognized the priority the government attaches to regional integration and international relationships by making various financial and non-financial efforts to this end. This has allowed positive support for a process of regional integration and development of international partnerships. Efforts produced a clear appreciation of EU support, strengthening ties and dialogue with Timor-Leste. It is too early to appraise additional outcomes.

Support for Timor-Leste’s interest in international recognition and relations³⁰ is one of the aspects of EU Co-operation most appreciated by the counterpart³¹, and the shift of the NAO to the Ministry of Foreign Affairs is perceived as an opportunity for enhancing international relations³².

The EU Co-operation strategy and efforts supporting Timor-Leste’s international ambitions include:

²⁵ For instance the strategy refers to the need for a comprehensive approach to rural development

²⁶ See discussion of Rural Development Sector (EQ6) and Governance and State-building (EQ7)

²⁷ The finding is supported by the fact that this evaluation was started in early 2014, after the selection of focal sectors and the drafting of 11th EDF NIP

²⁸ In 2007 EU Office in Dili exchanged more emails for the organization of the visit of Mr. Barroso (EC President) than for the preparation of the Country Strategy Paper - Source: former EU official involved with Timor-Leste Co-operation

²⁹ The CSP document identifies relevant sector indicators, but these are not helpful to measure changes contributed by EU Co-operation efforts. Lower level outcome indicators, with clear baseline and target values, related to interventions and expected changes (results), are missing.

³⁰ Interviewed Timor-Leste officials explained this strong interest for an external projection as a “survival strategy”

³¹ Several interviews with Timor-Leste Officials, including Minister of Foreign Affairs and the Ambassador in Brussels

³² Ibid.

- EU endorsement for Timor-Leste joining the Cotonou Agreement,³³ providing access to EDF funding and enabling Timor-Leste to strengthen its relationship with the ACP Group of States, in particular in the Pacific;
- Support for joining ASEAN, through public announcements and informal diplomatic efforts, including informal Head of Delegation exchanges with ASEAN diplomats³⁴ (no specific action was taken in support of Timor-Leste's accession to ASEAN³⁵);
- PALOP funding provided opportunities for international relations, bilateral co-operation and significant additional funding;
- Other minor instruments³⁶;
- Support for the New Deal, which is also seen as a policy framework to foster the international relations of the Government of Timor-Leste (see Annex 14 on New Deal).

Regional aspirations were supported, providing opportunities for joining international fora for political dialogue, as in the case of PALOP. However, the political dialogue and positive interactions have yet to be followed by operationalized political goals and measures: the PALOP evaluation³⁷ concludes that: *“good quality of political dialogue... and level of mutual understanding and solidarity felt as a distinctive factor. Weaknesses assessed on the process of translating political goals into operational measures with a distinctive PALOP&TL value-added”*.

JC1.3 The EU Co-operation strategy is tailored to the country context, which is characterised by limited absorption capacities, high poverty levels and an overall fragile environment, but also growing oil income

The EU Co-operation was, and still is, poorly adjusted to the Timor-Leste context. The 2008 – 2013 CSP provides a concise but effective analysis of the co-operation context, including absorption capacities, poverty and fragility. However, Co-operation choices were not informed by a systematic analysis of these factors or appropriate design of operational responses.

Limited consideration of the context of crisis and fragility. In the wake of the 2006 military upheaval, the EC was strongly aware of the acute fragility of Timor-Leste and its institutions; the Country Strategy Paper provides a summarised and effective analysis of the context of instability, but the strategy design was not informed by a thorough fragility assessment.³⁸

The analysis of the CSP, the Indicative Programme and its operationalization do not provide evidence of a strategy either for addressing the roots of instability or for mainstreaming peace and stability through co-operation efforts, a finding which also applies to the 2014-2020 programming^{39&40}.

Capacity of the EU Co-operation for addressing poverty levels. Of 120 contracts, only certain interventions have directly addressed poverty and its causes through improvements in socio-economic conditions, reduced isolation⁴¹, improved services or new jobs. Interviews, both in Dili and in the Districts visited during field visits, consistently conveyed respondents' perceptions that EU Co-operation support for rural development and health sectors, with the exception of

³³ The Cotonou agreement was ratified by Timor-Leste Parliament in December 2005

³⁴ Interview with former senior co-operation staff in Timor-Leste (March 2014)

³⁵ Interview with EU Delegation, 10 July 2014

³⁶ i.e.: Erasmus Mundi, Visitors Programme) were used to provide opportunities for exchanges and strengthening of relationships with key Timor-Leste officials; TCF was used to finance the travel of Timor-Leste Government Representatives in furtherance of its international ambitions

³⁷ Source: Evaluation of the EU – PALOP-Timor-Leste co-operation, December 2012”

³⁸ Source: Interview with former official working in 2007 in EU bureau in Dili. The Evaluation team did not have access to this fragility assessment.

³⁹ The Programme involves three decisions (2008, 2009 and 2011); see analysis in JC 9.2

⁴⁰ Relevant actions for stability were addressed during the period 2006-2008 through the Instrument for Stability (IfS) with an allocation of €4,7M, but peace and stability concerns were not woven into all the co-operation efforts undertaken during the implementation of the 10th EDF. As such, the IfS contribution and the NIP were not linked. The analysis is further developed by JC9.2.

⁴¹ Poverty in Timor-Leste has a high correlation with isolation and lack of access of communities, a factor related to distances and quality of roads; this finding is supported by interviews with Development Partners, National Institutions and rural communities; it also supported by IRI opinion poll and by ERA project monitoring system.

interventions for improving rural roads, has not significantly affected national poverty levels. The poverty dimension⁴² in Timor-Leste, particularly in rural areas, has evolved significantly since 2006, with increased access to food, education, water, health services and, in general, improvements in the quality of life.⁴³ The EU Co-operation, although focusing on poverty reduction, has not undertaken any specific assessment of poverty levels to inform the programming, create a baseline or monitor performance. Surprisingly, an updated poverty assessment for Timor-Leste is missing. The economy is largely non-monetized and farming is oriented to subsistence and import substitution rather than the market. Farmers have few incentives for increasing production, as social transfers and remittances provide income levels often well in excess of agricultural product sales.⁴⁴ Production costs for the main agricultural products are higher than sale values.

In conclusion, owing to a lack of market incentives, projects designed to increase yields may not have led to significant changes in production and sales and such interventions are unlikely to produce significant changes in socio-economic conditions (see further discussion in EQ5). The majority of EU interventions (i.e. the RDP series), aimed at providing technical solutions for the Ministry of Agriculture and farmers,⁴⁵ had only weak potential for impacting significantly on poverty levels.⁴⁶

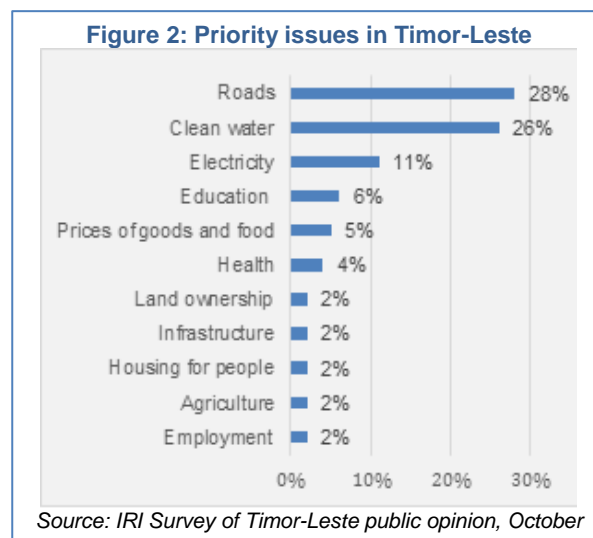


Figure 2 shows the results of a public opinion poll on “most important issues facing Timor-Leste”. Agriculture is perceived as a priority by 2% of respondents. On the other hand, rural roads very clearly score highest, suggesting that interventions to improve access in rural areas (for instance the ERA project) may well have a positive impact on poverty or at least on improving opportunities for the poor. Rural and district roads absorbed a significant share of 10th EDF allocations (€32.1M). Poverty drivers in Timor-Leste are also related to policy distortions, access to land and capital, and lack of jobs.⁴⁷ The EU Co-operation strategic choices did not address any of these issues through systematic actions.

JC1.4 EU Co-operation maintains its value added adjusting to evolution of the co-operation context

The EU has yet to adapt to Timor-Leste’s economic growth and change the paradigm of its assistance, which is still largely based on the premise of co-operation with a poor country. The current “raison d’être” of EU Co-operation in Timor-Leste should be reconsidered

The EU Co-operation has not adjusted to the quantum leap experienced by the Timor-Leste economy attributable to oil revenues. In just a decade Timor-Leste has jumped from a status of Low Income country to a Lower Middle-Income country with aspirations to achieving Upper-Middle Income status over the next decade and a GNI *per capita* in excess of US\$ 4,000.⁴⁸ Timor-Leste

⁴² Extreme poverty, or absolute poverty, was originally defined by the United Nations in 1995 as “a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services.” Currently, extreme poverty widely refers to earning below the international poverty line of a \$1.25/day (source: (Fonte: United Nations, *Report of the World Summit for Social Development*, 6 -12 March 1995. Disponível em <http://www.un.org/documents/ga/conf166/aconf166-9.htm>)

⁴³ District capitals exhibit signs of relatively good socio-economic conditions, Finding supported by qualitative assessment of proxy indicators such as widespread use of mobile phones, number of motorbikes and bicycles, access to electricity, satellite television, etc.

⁴⁴ No precise data are available on the numbers of people in rural areas receiving social transfers and remittances; however, interviews with Development partners, extension services and rural communities suggest that a significant portion of rural population does benefit of these non-farm revenues.

⁴⁵ i.e. support to extension services

⁴⁶ See detailed analysis in EQ 5

⁴⁷ Finding supported by interviews with rural development and agriculture international experts in Timor-Leste and evaluation team analysis of factors constraining sector development

⁴⁸ Ministry of Finance, presentation to the Yellow road map 2014 – a Ministry of Finance-led action plan linking Timor-Leste strategic plans (SDP) to MDGs and Peacebuilding and State-building Goals

compares itself with “miracle economies” such as Brazil, Botswana, Korea and Thailand.⁴⁹ Oil reserves amount to US\$17 billion⁵⁰ and the country can afford to pay for its own external co-operation, spend millions on official vehicles, and invest more in foreign affairs than in agriculture⁵¹. The analysis of government spending in Timor-Leste shows that significant resources are allocated to economic priorities other than poverty reduction; moreover international co-operation support may paradoxically contribute to a contraction of national expenditure on agricultural development and pro-poor spending⁵². These considerations justify raising questions as whether the EU Co-operation should continue to support Timor-Leste’s oil booming economy financially.

Several donors, including EU Member States, have found reasons for phasing out development co-operation with Timor-Leste over recent years (including the UK, Ireland and France) as the country now has the financial resources to meet development challenges; but there is still a sound rationale for pursuing development co-operation and supporting poverty reduction and peace stabilization. Relative poverty is widespread in rural areas, socio-economic differences are widening, youth have few job prospects, and the root causes of instability are still present.

This context provides a rationale for continued support: oil income is expected to dry up in about a decade and by that time the country will need to have established a sustainable non-oil economy and a stable State. Time is running short. Although financial resources are available, capacities for managing the development process are extremely low, and sector absorption capacities are also very low. International Co-operation over the next programming cycle may contribute to consolidating the new State, supporting the establishment of capacities for governance and the sustainable management of resources, and promoting measures for poverty eradication and gender empowerment. International support may also contribute to strengthening the new democracy, addressing human rights and the driving factors of instability, and focusing on the fragile physical environment of the country. Moreover Timor-Leste does need EU support to pursue its international ambitions.

The national capacity for addressing these issues is admittedly extremely weak, and without effective external support it could take many years for national institutions to tackle adequately the problems of rural and poor populations, or of women and youth. Civil Society needs to grow and increase its capacities to play its role in governance, oversight, service delivery and support for women, environment and human rights.

The Co-operation strategy needs to take into account the fact that the key constraint to development and poverty reduction is a lack of access, markets, knowledge, capacity, and policies.

JC1.5 EU Co-operation with Timor-Leste demonstrates coherence with EU policies, going beyond development co-operation

EU Co-operation has been supporting Timor-Leste’s relations with Pacific, ASEAN, PALOP and ACP countries (in particular in the Pacific) and with international networks, an aspect of the co-operation which has been highly appreciated by Timor-Leste counterparts. However, the evaluation found weaker coherence of development co-operation with security policies. The trade dimension does not appear important or relevant to EU Co-operation efforts.

The evaluation considered several wider EU policies and found only few to be relevant to Timor-Leste: foreign policy, security policy and, to a minor extent, trade policy.⁵³ Gender and human rights policies are considered as an integral part of development co-operation and the way these issues have been mainstreamed through co-operation efforts is assessed in EQ6 and JC7.5. Thus in this

⁴⁹ Ibid.

⁵⁰ Data first quarter 2014 (source EU Delegation)

⁵¹ Source: Timor-Leste transparency portal and budget presentation (Ministry of Finance) //www.transparency.gov.tl/english.html

⁵² For instance the Prime Minister’s recently commented that EU aid was helping Timor-Leste to free funds to provide aid to countries more in need; also the decreased national budget for agriculture is perceived by several stakeholders (including Ministry of Agriculture Senior Officials) as a consequence of ODA support to the sector

⁵³ CAP has not been considered relevant to Timor-Leste as no EU agricultural products being sold in TL might undercut local produce

section Development Co-operation coherence with EU policies has been assessed for the following three dimensions: i) EU foreign policy, ii) EU security policy, and iii) EU trade policy.

The evaluation found evidence of several efforts⁵⁴ to address strengthening Timor-Leste's international relationships through existing networks (ASEAN, PIF, ACP, PALOP), an aspect of EU Co-operation which has been highly appreciated (see analysis in JC 9.4); in this respect EU development co-operation appears fully coherent with EU foreign policy.

Although Timor-Leste is very distant from Europe, the EU has concerns for regional stability, including in the light of how Timor-Leste's potential instability may affect a regional balance and relationships with other regional players (ASEAN, Indonesia, Australia). The analysis of the EU contribution to shaping long-term peace and security is developed in JC9.2, and shows how, notwithstanding some project-level interventions, the EU has failed to address key factors underpinning long-term instability in Timor-Leste and has thus failed to achieve coherence with its security policy and interests in long term regional stability.

The trade co-operation dimension does not appear particularly important and relevant for EU Co-operation with Timor-Leste⁵⁵.

4.2 EQ2 STRATEGIC PARTNERSHIPS

To what extent have partnerships with other development partners helped to foster synergies in support of the GoTL's development priorities and the promotion of the EU's co-operation goals and changes on the ground?

Summary Response Box EQ2

Partnerships with other development partners modestly helped to promote Government priorities and EU co-operation goals. Positive changes on the ground could be observed with regard to PFM reform and roads, while other areas of co-operation failed to foster synergies, with the result that successes remained *ad hoc*, isolated and limited in scope.

Some promising steps were taken to create synergies within the EU family but this diminished owing to gaps in the EU Delegation's capacity to lead. While these contacts resulted in co-operation between the EU and Member States at project level, opportunities were lost for establishing joint co-operation mechanisms in the areas of learning, monitoring or strategy development. Coordination with other development partners took place at the levels of information exchange and financing of projects, although more coordinated efforts and complementarity of action were recorded in the area of PFM and road construction.

The practice of implementing the New Deal, promoted as a mechanism by Government to address peacebuilding and State-building under Government leadership, is still in its infancy. Synergies created between the work of the EU, the Government and other development actors in support of the

JC2.1 The EU strategy and implementation are harmonised and well coordinated with EU Member States' development efforts with a view to enhancing the impact of the EU's contribution to development changes on the ground

Attempts were made to coordinate and harmonise EU co-operation with EU Member States more purposefully but the outcomes were, overall, below expectations. The co-operation remained mostly restricted to the financing of projects implemented by EU Member States but did not result in significant transformational developments on the ground

The exchange and coordination between European actors in Timor-Leste increased steadily as of 2008 when the EU Delegation was established. Regular meetings were started under the first

⁵⁴ These efforts include the support to the participation to international forums and events, PAOLOP promotion of mutual activities, diplomatic efforts, as well as regional projects (see list in Volume 2, Annex 6) promoting networking.

⁵⁵ EAMR reports (2012 and 2013) do not cite implementation of trade-related activities. There is no evidence that trade co-operation has been significant in the EU Co-operation with Timor-Leste and the 11th EDF draft NIP (2014) does not include a trade-related section

Head of Delegation, who enhanced an already active informal exchange between the EU Delegation and the Portuguese community in particular. Over the period 2010-2013 some ten meetings per year took place (with the exception of the period mid-2012 to mid-2013) but a review of minutes, evaluations and interviews in Dili revealed that the coordination remained mainly at the level of information exchange, for instance in sharing of the latest developments.⁵⁶ Some of these exchanges resulted in decisions to finance projects executed by EU Member States (see table 2). However, there is no evidence that these decisions were based on in-depth mutual assessments between the parties (see also EQ5 and EQ7 on co-operation with GIZ and CICL).

Exchanges in the context of these meetings in 2009 covered the EU Code of Conduct, which led to the commissioning of a study on the Division of Labour (DoL) among European development partners with the objective of enhancing co-operation and complementarity of European partners within the 11th EDF.⁵⁷ More thorough coordination, building on the recommendations of the DoL study from 2012, did not materialise. The principal reason mentioned by the EU Delegation was the shortage of and changes in staff, which prevented the EU from taking the lead in strategic coordination and joint programming.⁵⁸ Currently steps are being taken to update the DoL study.

Table 2: Partnerships with EU Member States development agencies

EU MS agency	Sector & activity	Year
Portugal/ CICL	Rural Development Programme IV – Strengthening Public Agricultural Extension Services;	2011-2015
Portugal/ CICL	Social Communication – Support to Democratic Governance in Timor-Leste	2012-2014
Portugal/ CICL	Justice Programme – Support to Democratic Governance in Timor-Leste	2012-2015
Portugal/ CICL	Global Climate Change Alliance support programme to Timor-Leste	2013-2018
Germany/ GIZ	Rural Development Programme IV – Strengthening Public Agricultural Extension Services (co-financing arrangement)	2011-2015
Germany/ GIZ	Improving food security through the diversification of crops at household level in Timor-Leste	2012-2016
Germany/ GIZ	Global Climate Change Alliance support programme to Timor-Leste	2013-2018

Source: Inventory 2006-2013, see Annex 5

A case study on Timor-Leste, undertaken in 2011 in the context of the *EU's Thematic Evaluation of the European Commission Support to Conflict-Prevention and Peace-building*, found that EU Member States, both among themselves and in collaboration with the Commission, were broadly speaking following the same line. However, it remarked critically that there was no overall policy framework to ensure coordination between the Commission and EU Member States at country level.⁵⁹ To the present day no such framework exists; the EU Co-operation did not seize the opportunity provided by the Division of Labour study to establish a comprehensive policy framework and strengthen the coordination mechanism.

Consultative meetings between the EU Delegation and representatives of EU Member States took place during the course of the formulation of the 11th EDF CSP, but EU Member States representatives in Dili noted critically that this process was merely an exercise in information-sharing rather than a discussion of the strategy in more depth or an incorporation of strategic priorities of different EU actors. Others noted that a more integrated strategy was not possible owing to different priorities set by EU Member States on where to invest and how to engage.⁶⁰

⁵⁶ Cooperação Portuguesa/ IPAD. 2011. Avaliação Conjunta do Programa Indicativo de Cooperação Portugal – Timor-Leste (2007-2010), p. 67/68

⁵⁷ Dietvorst, D. and J. Markard-Narten. 2012. Towards a Division of Labour Among European Development Partners in Timor-Leste - The study was finalised by the end of 2012 at which time France, Germany, Ireland, Portugal, Spain and the European Commission had representatives in Timor-Leste. Today, Spain and Ireland closed their country offices and France is only present with one person and with a minimal budget for cultural activities.

⁵⁸ Following the departure of the first ever Head of Operations in March 2012, the Delegation saw two new HoO's arriving in quick succession and had to deal with the gaps between their departures and arrivals.

⁵⁹ ADE-Particip. 2011. Thematic Evaluation of the European Commission Support to Conflict-Prevention and Peacebuilding. Annex 3: Country case studies – Timor-Leste, p. 18

⁶⁰ Interviews in Dili (March and July 2014)

Under RDP IV, the EU Delegation did initiate joint collaboration with CICL (Portugal) and GIZ (Germany) on rural development in an attempt to create more leverage for change but did not result in significant synergies to promote changes at sector level (see also EQ5).

JC2.2 The EU developed strategic partnerships with non-EU development actors to promote its goals, effectively contributing to changes on the ground

With the opening of the EU Delegation in 2008, more regular exchanges with non-EU development actors led to longer-term joint donor involvement in the areas of PFM, health, roads, water and sanitation, governance and support to Civil Society. The limited availability of suitable partners as well as the EU’s own capacity limitations were key determinants of how the EU’s overall strategy could be implemented. This resulted in mixed outcomes on the ground, with positive achievements in PFM, roads and water and sanitation service delivery⁶¹

The EU Delegation implements its co-operation in the absence of a strong national government framework for coordinating the work of development partners and for getting their work aligned effectively to its own priorities.⁶²

Effective joint sector coordination mechanisms were not in place during the reporting period, owing to the limited willingness of international stakeholders to work together, competition and weak sector leadership. It is only since 2013/2014 that donors have been able to initiate constructive dialogue with the Government in a limited number of sectors.⁶³

The EU participated in regular informal donor meetings (Heads of Mission meetings and several sector meetings, once per month on average) and had good bilateral informal exchanges with other development actors. However, it did not have the resources or leverage to take a stronger role in coordinating its activities more strategically with other development partners. Attempts in this regard were made in 2011/2012 but the EU encountered limited preparedness by other development partners to engage more jointly.⁶⁵

Table 3: EU committed amounts by contracting party ('000 EUR; 2006-2013)⁶⁴

Type of contracting party	Contractor detail	Contracted amount	Contracts	% amount
Bilateral organisations		24,309,860	9	22%
	GTZ	15,607,010	5	
	CICL	8,702,850	4	
Commercial organisation		18,890,243	49	17%
International organisations		38,128,468	11	34%
	UNDP	7,140,509	3	
	ILO	11,561,295	2	
	WB	11,800,000	2	
	ILO-UNDP	2,449,946	1	
	IOM	3,676,718	2	
	UNICEF	1,500,000	1	
NGO and Associations		25,466,096	32	23%
T-L Government		1,831,000	8	2%
Single expert		675,785	9	1%
NA		2,816,926	2	3%
TOTAL		112,118,378	120	100%

Source: Datawarehouse

Changes and gaps among senior EU Delegation staff between 2012 and 2013 (including changes in the Head of Operations) caused a severe weakening of the EU’s capacity to work more strategically.

The number of development agencies with which to collaborate strategically in Timor-Leste is limited to three bilateral organisations (from Australia, Portugal and Germany), the World Bank, Asian Development Bank, and several UN organisations. Table 3 summarises the partnerships

⁶¹ This JC is limited to the institutional development actors, the effectiveness of the partnerships with (international) NGOs are judged under EQ 8.

⁶² On the Timor-Leste Development Partner Coordination Mechanisms (DPMC), see JC 2.3 and Annex .14 (section 5)

⁶³ For example on nutrition, roads and finance; interviews with donor representatives in Dili (July 2014)

⁶⁴ A list of contractors is included Annex 5

⁶⁵ Development partner meeting minutes and internal EU documents reviewed for period 2009 to 2013

with different contracting parties for the period 2006-2013. The presence of a limited amount of partners provided limited choice in collaboration and few options for changing partnerships in the event of poor performance. Prior to 2011, Australia's co-operation had similar problems. It changed its strategy of involvement thereafter by working more through AusAID-executed projects and experts mobilised for particular sectors.⁶⁶

The EU developed positive collaborations with the World Bank and Australia in support of the Ministry of Finance⁶⁷ and with Australia and the ILO on rural roads. See, for instance, the Road for Development (R4D) project funded by Australia, which states: "*R4D will be coordinated with a smaller European Commission (EC)-funded project that is training small roads contractors which will also be implemented by the ILO.*"⁶⁸ The positive collaboration on rural roads between the EU and other development partners (Government, ILO, Australia, Norway, IrishAid) is also confirmed through the overall positive evaluation of the TIM Works project for rural infrastructure development and employment generation.⁶⁹

Less positive examples have been the collaboration with the UN on Governance and on Security Sector Reform. A study on the latter, to which the EU contributed for the financing of the Security Sector Review, was very critical of donor coordination in the entire sector ("*... one of the greatest shortcomings of SSR initiatives in Timor-Leste to date has been the lack of coordination within and between the various international donors and programmes ...*").⁷⁰ The EU's monitoring reports have been very critical of the collaboration with UNDP in support of the Parliament, a finding confirmed in a range of interviews and assessments, which mention – in this case – the weak UNDP project implementation capacities.⁷¹

In the agriculture sector, as further highlighted under EQ5, the absence of development partner coordination – a role that the EU could have assumed to increase aid effectiveness – considerably weakened the capacity of EU financial assistance to contribute to sector goals. EU leadership on health and nutrition was also lacking, its role being reduced to a mere funder of WFP- and UNICEF-funded projects (see also EQ5). There is also the case of the EU's collaboration with UN Women, which sought to coordinate its work with the EU more closely but was unable to owing to limited capacity within the Delegation to support the work on women and gender equality, in terms of both time and content.⁷²

JC2.3 As of 2011, EU co-operation supported the Government efforts to implement the FOCUS and TRUST pillars of the New Deal

The New Deal was supported by the EU through initial changes in how the EU co-operated as from 2013. The EU contributed to strengthening the core functions of the State but it is too early to say whether this will significantly help in Timor-Leste's transition from fragility to development and lead to better service provision for Timorese citizens. The EU has so far not utilized the New Deal sufficiently to promote policy dialogue and the strengthening of Civil Society's capacity.

⁶⁶ Interview with Australia Aid representative in Dili (2 July 2014)

⁶⁷ Various independent evaluations, e.g. by the World Bank, Australia, IrishAid, indicate the successful work on PFM within the Ministry of Finance to which the EU contributed through the funding of the World Bank Trust Fund until 2013. The EU's internal monitoring reports also commented positively on progress made. The same is stated in the EU's assessment to identify the scope for providing budget support (internal EU assessment report, 2013)

⁶⁸ Government of Australia, Government of Timor-Leste, International Labour Organisation. 2011. Roads for Development (R4D), Project Document, p. II

⁶⁹ TIM Works. 2012. Timor-Leste Investment Budget Execution Support for Rural Infrastructure Development and Employment Generation. Final Evaluation

⁷⁰ Initiative for Peacebuilding. 2009. Country case study: Timor-Leste - Security Sector Reform in Timor-Leste, p. 16/17

⁷¹ Interviews conducted in Dili (4, 9 and 10 July 2014) and Independent Evaluation of Irish Aid Engagement in Timor-Leste (2014, Paper 2, p. 4); see also replies to EQ 7 on institutional development. Critical views on the work of the UN in Timor-Leste correlate with a wider EU assessment on support to conflict-affected countries stating frequent weaknesses in project design, leading to weak implementation of projects (European Court of Auditors. 2011. The efficiency and effectiveness of EU contributions channelled through United Nations Organisations in conflict-affected countries. Special Report No. 3)

⁷² Interview with UN representatives, 3 July 2014

The New Deal is an international co-operation framework through which fragile States and donors aim to engage in a different type of partnership. It focuses on new ways of engaging in support for inclusive country-led and country-owned transition out of fragility (the so-called FOCUS pillars guide this process) and is founded in the conviction that mutual trust can be built by providing aid more effectively, and aligning donor and government resources on results (the so-called TRUST pillars). The Government of Timor-Leste is one of the initiating countries in support of the New Deal and has taken it as a conceptual framework for coordinating and managing its partnerships with development agencies. The EU signed up to the New Deal and has agreed to use it as a guiding framework for its co-operation with fragile and conflict-affected countries, including Timor-Leste.⁷³

Annex 14 provides information on the New Deal and how it has been implemented in Timor-Leste. The assessment in this Annex reveals that the Ministry of Finance is not yet in a position to translate the principles of the New Deal into effective coordination with external partners and the Government's sector ministries. A shortage of capacity and lack of experience at different levels with Government are the root cause.⁷⁴ A major concern for Government as well as development partners today is the weakness of inter-ministerial connections, particularly between the Ministry of Finance and sector ministries⁷⁵.

In the absence of strong Government leadership and capacities at national and sector levels, development partners including the EU have held back and supported New Deal implementation only in a piecemeal manner. Support took place in areas, which were easy to implement for donors. Today the general conclusion among donors (including the EU) is that initial steps were taken but that overall much less progress at implementation level was made than was expected by all parties (Annex 14, section 5).

At lower levels of Government, as well as among Civil Society Organisations, there is hardly any knowledge of the New Deal. This also applies to development partners. Interviewees and the evaluation team see this as a contributory factor to the limited application of the New Deal principles, such as promotion of more meaningful dialogue at sector level, or inclusion of Civil Society in promoting change.⁷⁶

One of the TRUST pillars of the New Deal stresses risk sharing and the use of country systems, which several Government officials in Timor-Leste refer to as one of the most important issues to be pursued through the New Deal.⁷⁷ Through the provision of €4M of budget support (BS) for PFM reform, executed under the Ministry of Finance, the EU has responded to one element of this TRUST pillar (strengthening country systems). However, the EU needs also to promote other elements of this TRUST pillar, including transparency and the provision of support through more simplified management and timely provision of support.

Other elements of the New Deal, that is the strengthening of Civil Society's capacity to balance the support to State capacity-building (see also reply to EQ8), have so far not been strongly promoted neither by the Government nor by the EU Co-operation.

The Government uses the international policy dialogue and exchange of experience on the planning and implementation of the New Deal as an opportunity to strengthen its international relations with other fragile states and international fora, including Lusophone countries (PALOP countries and CPLP countries)⁷⁸.

⁷³ Statement by EU Commissioner Piebalgs during the Third Ministerial Meeting of the International Dialogue on Peacebuilding and State-building (7 May 2013)

⁷⁴ Though there are improvements made in the Development Partner Coordination Mechanism (DPCM) which were noted in preparation to the Timor-Leste Development Partners Meeting (TLDPM) 2014

⁷⁵ Interview with Minister of Finance (Brussels, Oct. 2014) and messages communicated during DPM 2014 (see Annex 14)

⁷⁶ Interviews in Dili (March and July 2014)

⁷⁷ This was mentioned during several interviews in Dili (March and July 2014) and highlighted in the perception survey conducted during this evaluation (see Annex 13). See also: Minister of Finance, Ms Emilia Pires (<https://www.youtube.com/watch?v=dGpcMHNzyUw>)

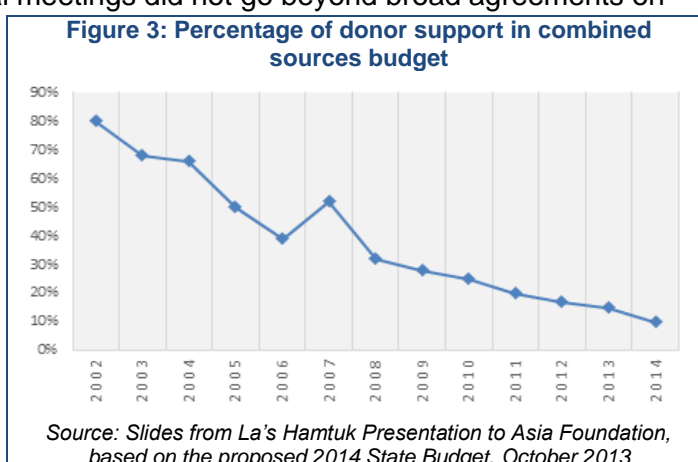
⁷⁸ Witness the intense participation of the Minister of Finance and the Prime Minister in international meetings of the International Dialogue on Peacebuilding and State-building, meetings of the G7+ and UN meetings to discuss the post-2015 agenda which provides opportunities for the Timorese leadership to strengthen ties with other leaders of the world, agree on partnerships (such as Timor-Leste's assistance to the elections in Guinea Conakry) and share experiences about Timor-Leste and its State-building and

JC2.4 The aid coordination with other development partners resulted in greater complementarity of action and helped address the gaps in Government development funding more effectively.

Coordination efforts were geared to assuring provision of technical expertise while gaps in the Government’s financing played an insignificant role in discussions owing to the rise in oil revenues and the limited opportunities provided by Government for discussing strategic issues more systematically with donors. Project- and programme-related aid coordination took shape in some sub-areas of the EU’s focal sectors. Greater complementarity of action was achieved in PFM reform and rural road construction while the outcomes in other areas were overall mixed (insofar as they occurred at all).

Strategic discussions between development partners and the Government on the financing of development efforts were limited. The Government has organised annual Development Partner Meetings since 2002, but this exchange between parties has never been strategic in nature. Complementary, formal and informal, bilateral meetings did not go beyond broad agreements on division of labour between and within sectors.

From the informal documents consulted for 2009 (see previous footnote), as well as from interviews conducted, it is evident that there was awareness of the increasing oil revenues⁷⁹, but little awareness of its implications for the dialogue between Government and the development partners. The importance of donor support declined significantly from some 80% of budget finance in 2002 to only some 11% in 2014 (see Figure 3)⁸⁰.



Aid coordination between donors focused primarily on exchanges of information, with particular attention to technical coordination and provision of expertise rather than to strategic coordination on financing and planning (see JC2.2). More teamed-up approaches took place in the domains of rural development (road construction) and agriculture⁸¹.

4.3 EQ3 EU PROCESSES AND CAPACITIES

To what extent are internal EU processes, structures, resources, learning functions and capacities supportive of goals in Timor-Leste?

Summary Response Box EQ3

Overall, EU structural constraints and limited capacities have created ambiguities in the definition of the co-operation’s prime focus and critically constrained effectiveness and performance. Constraints include divided structures and functions, lack of unified management and a compartmentalized thematic focus. The implementation of the co-operation focused on disbursements rather than results despite corporate policies embracing a results-based management approach EU Co-operation has been slow in adjusting to very weak national capacities, the fragile context and increasing oil revenues.

Peacebuilding experiences (Sources g7+ Annual Report 2013, g7+ web-site)

⁷⁹ La'o Hamtuk Presentation to Asia Foundation

⁸⁰ The aid effectiveness dialogue logic promoted in resource poor countries, and which resonates in some of the documents from donor meetings, did not work for Timor-Leste. The 2010 World Bank evaluation noted that new forms of engagement with the Government should be found to counter aid fatigue (World Bank. 2010. Evaluation of World Bank Group Programme, Timor-Leste Country Programme Evaluation 2000-2010, p. XV and 99)

⁸¹ This included coordination and partnerships for rural roads (i.e. Australian Co-operation, EU and ILO) and agricultural sector coordination, including definition of sub-sectors of intervention (i.e. Australian Co-operation supporting the seed subsector and the EU the agricultural extension). Positive interactions were particularly developed at project level and activities shared common goals and target groups.

A shortage of the appropriate expertise in human resources in EuropeAid and in the Delegation is a critical factor limiting the EU's ability to set out strategies, engage in policy dialogue, and design, accompany and monitor interventions. Several routine learning mechanisms have been established and some lessons have slowly been learned (see progression in RDPs over a decade). However uptake is slow and mainly at project level, with only a limited number of lessons feeding into sector-wide work or strategic level. There are no mechanisms in place for translating lessons from crosscutting issues into implementation across different projects and programmes.

EU development co-operation procedures and systems are perceived as heavy and not adjusted to the Timor-Leste context. Work overload, caused by a shortage of appropriate expertise and an excessive amount of administrative work, prevents the EU Delegation from undertaking and promoting effective political and policy dialogue.

The division of responsibilities between the EEAS and EuropeAid creates an unclear priority setting for the co-operation, causing confusion on whether political co-operation should prevail over development co-operation or *vice versa*. The internal structure of EEAS is adequate for managing co-operation given Timor-Leste priorities to stay connected with South-East Asia and the Pacific region.

The EU's capacity to manage its development co-operation were minimal until 2007, but has gradually evolved with the opening of the Delegation in 2008. Since then staff levels have increased significantly which has allowed progressive implementation of the deconcentration process⁸² with its added responsibilities. Over the past couple of years a start has been made on establishing mechanisms for political dialogue, including enhanced involvement in the context of the New Deal (2013).⁸³

JC3.1 The EU's internal institutional arrangements to execute EU co-operation with Timor-Leste is effective

The EU's internal institutional arrangements impede a clear strategic focus of the EU Co-operation and considerably limit the effectiveness of EU Co-operation with Timor-Leste. This is due to a separation of services, lack of strategic unified management, layered management and responsibilities, and a compartmentalization of development efforts, all reinforced through the influence of thematic lines, heavy procedures, and an overall strong focus on disbursement and administrative compliance, with little attention to management-by-results at all levels.

Several Timor-Leste co-operation stakeholders⁸⁴ perceive the EU, its incentive system and its administrative working culture as the major constraint to achieving an effective and performing co-operation. This observation is supported by the evaluation findings, summarised as follows:

- The institutional disjunction of the main services (humanitarian response, operational development co-operation and external action), coupled with compartmentalized attention to substantive matters, is not conducive to supporting effectiveness in respect of achieving goals, particularly during a delicate phase of transition from conflict and fragility to stabilization and development.⁸⁵ The evaluation revealed good communications flow and increasingly coordinated efforts between EuropeAid and the EEAS. However, their respective mandates and approaches are partially overlapping, resulting in inconsistencies in decisions, which affect the practice and effectiveness of the co-operation. In Timor-Leste this has translated, for instance, into strategic ambiguity as to the prime focus of the co-operation, namely whether it should be

THE DELEGATION URGENTLY NEEDS TO ACCESS THE PARTICULAR SKILLS AND EXPERTISE REQUIRED TO CARRY OUT CRITICAL TECHNICAL AND POLICY DIALOGUE WORK

⁸² Reform process (started in 2000) of devolution of external aid management responsibilities to the Delegations. The reform implies that EU Delegations are responsible for key operational tasks. The role of Headquarters has evolved towards a role of coordination, quality control, management control, technical support and improvement in working practices.

⁸³ The EU's involvement in the dialogue concerning the implementation of the New Deal started relatively late, as of 2013. Formal political dialogue started as of 2013, only, while informal political dialogue had started earlier

⁸⁴ Including key EU co-operation staff in Brussels and in Dili (evaluation interviews), as well as other Development Partners. Also the Perception Survey supports this finding

⁸⁵ Finding supported by i) converging views of several interviewed stakeholders, ii) other strategic external assessments of EU Co-operation efforts iii) Evaluation of Co-operation of Ireland in Timor-Leste (Volume 1), specifically addressing limitations for co-operation with Timor of disjointed services emergency, political and operational services

- for capacity development and technical assistance, or rather for political co-operation.
- The on-going EU effort to embrace results-based management⁸⁶ within the institution is being slowly taken up but, for the Timor-Leste Co-operation, a gap still exists between discussion and practice. Evidence shows a lack of results-based frameworks for co-operation goals and an absence of management-by-results⁸⁷. A focus on monitoring inputs prevails, underpinned by a Delegation 'culture', which focuses on administrative compliance and disbursement, with lower attention to results-for-development. The system does not necessarily reward commitment, concerns for development outcomes, or performance⁸⁸.
- A complex hierarchy with layered and split decision-making and management functions hampers unified comprehensive management, reduces the vision, and weakens individual accountability and responsibility. The system does not favour quick decision-making and encourages conservative practices.
- The compartmentalisation along thematic lines resulting from the use of thematic budget line funds tends to help generate useful and relevant projects but with limited added value and few complementarities with the focal areas of the co-operation, thus providing weak contributions to focal sector development.
- Procedures are overall slow and perceived as particularly heavy by Timor-Leste stakeholders, which has been a source of disappointment for Timor-Leste decision-makers in working with the EU when moving from the stabilisation phase to EDF funding.⁸⁹
- The process for developing strategies and programmes is superficial. Consultations for the formulation of the 11th CSP, for example, were perceived as inadequate making no allowance either for strategic exchanges, or for formulating a shared analysis, or for making recommendations for programme design.⁹⁰ Moreover, considerable time is taken up by the decision-making process and approvals at Headquarters, while processes for discussing and formulating substance at field level are executed under time pressure.

JC3.2 EU human capacities at headquarters and country level are adequate to design and execute EU co-operation with Timor-Leste effectively

Co-operation with Timor-Leste is resource-intensive, as the scarcity of well-trained personnel in Government significantly increases the EU Delegation workload. Moreover human capacities are burdened by diverse and unclear priorities from Headquarters, leaving very little time for designing, accompanying and monitoring the implementation of EU co-operation effectively.

As at 2013, the EU Delegation in Timor-Leste has managed an allocation of EUR153m for the period 2006 to 2013, plus an ECHO allocation of some EUR8.7m along with some contracts from eight PALOP regional programmes. Until 2013, the entire Co-operation was implemented through 120 projects (for EuropeAid's disbursed amounts for the period 2006 to 2013 (see inventory). At present, the EU Delegation has eleven staff members, of which five project officers (including two local staff) and one Head of Operations can engage in policy work and project management. The remaining staff are for finance, administration and additional support.

According to the EU Delegation's assessment, an adequate workload should be some six contracts per Project Officer. This contrasts sharply with the projected 14 to 16 contracts, a figure that includes forthcoming regional programmes. The operation in Timor-Leste also suffers from gaps in the available skill-sets.⁹¹

⁸⁶ In alignment to Paris Declaration principle on aid effectiveness

⁸⁷ Evincenced from lack of result-based framework and lack performance measurements (the EAMR is a step in this direction, assessing Delegation performances against indicators and targets, but does not seize co-operation outcomes)

⁸⁸ In the case of Timor-Leste Co-operation EU staff

⁸⁹ Evaluation Team Interviews with NAO office, Ministry of Finance and Development Partners; the finding is corroborated by the results of the perception survey (see Annex 13)

⁹⁰ The finding reflects the modus operandi adopted for the 2008 – 2013 Strategy and the 2014 draft indicative programme (Source: interviews with several staff who participated to the preparation of both strategies and in exchanges with development partners about the consultation process)

⁹¹ For instance in the current staff configuration of the EU Delegation are lacking specific expertises in agriculture, health and nutrition, key areas of EU interest

Delegation reports point to positive performance⁹² in meeting annual forecasts for financing decisions, contracting and payments. Notwithstanding this positive performance, several internal communications, confirmed by statements during interviews in Brussels and in Dili, point to high workloads and lack of resources for operations. The EU workload assessment⁹³ identifies a number of important co-operation functions, including the difficulty of following-up interventions (and particularly thematic programmes which are perceived as an additional burden)⁹⁴ and ensuring quality of design, along with little time to engage in policy reform processes and dialogue with Civil Society. Time is critically missing for strategic thinking, learning and the development of solid partnerships (whether with Government, Civil Society or development partners)⁹⁵.

A further problem is the relatively low pay for local staff in comparison with other development agencies in Dili, which does not facilitate easy mobilisation of qualified staff. Staff turnover is relatively high (recruitment of four contract agents and five local assistants in 2013) and procedures for recruiting staff are heavily bureaucratic, diverting the attention of senior staff from strategic work to additional administrative and management tasks.

The work overload is particularly heavy owing to the large number of projects (the project aid modality is labour-intensive) and limited capacities on the part of the Timorese Government, which requires more time to follow up, explain and monitor. The latter is also true of the NAO office, which needs considerable attention owing to capacity weaknesses. A technical expert is only temporarily available to strengthen its capacity.

Other development partners recognize that working in Timor-Leste requires high inputs in terms of human resources. Australian co-operation has learned from its early involvement in Timor-Leste and doubled the number of its workforce since its arrival in 2000. In 2013, it processed support worth €50M, with 42 professionals working on content (17 Australian nationals, the rest local staff). The EU spent some €20M that year, processed by six programme staff, of which two were local programme officers.⁹⁶ This means that in relative terms Australia has three times as many staff as the EU to implement its programme.

JC3.3 Learning mechanisms are in place and function at desk and EU Delegation level to feedback lessons to support the effectiveness of co-operation efforts

Learning mechanisms are in place and the application of some lessons has improved projects over time although uptake is partial and slow. The relative disconnect between project level learning and wider strategic discussions is worrying. This is due to lack of time, lack of staff for systematic follow-up, and lack of strategic entry points for discussing lessons learned with Government.

Several learning mechanisms are in place, including a comprehensive monitoring system,⁹⁷ mid-term and end-of-project evaluations for major interventions, internal meetings and monthly (progress monitoring) meetings with the NAO. 44 ROM missions were carried out for 120 contracts between 2006 and 2013, covering 87% of the total contracted amount. Uptake is slow, partial and focused at project level.

Learning mechanisms are not sufficiently exploited owing to work overload and an incentive system, at the levels of EU Headquarters and the EU Delegation, which gives preference to following procedures and regulations at the expense of innovating, testing or exploring new avenues for co-operation.

The process of learning from the EU's co-operation with the country did not extend either to the compilation of more comprehensive understanding and analyses of Timor-Leste's fragile context,

⁹² EAMR 2012 and 2013

⁹³ The workload assessment was shared with the evaluation team.

⁹⁴ Interview with EuropeAid staff in Brussels, April 2013

⁹⁵ Interviews with Delegation staff, confirmed by interviews with Government Officials, Civil Society and Development Partners

⁹⁶ Interview with Australian co-operation (2 July 2014)

⁹⁷ See analysis of ROMs, Annex ...

or to how to improve alignment with national systems⁹⁸, adapt in time to the changes initiated through the New Deal, or examine the implications of increased oil revenues for future co-operation.

Specific learning mechanisms are lacking on crosscutting issues including gender, human rights, environment and climate change⁹⁹ (see also EQ56) and how these could be better incorporated into other parts of the co-operation.

To illustrate the above, experiences from the agriculture sector can be highlighted. Four subsequent Rural Development Programmes were developed incorporating lessons from past project level support. This evolution, based on ROM reports and external evaluations, is evidence of learning.¹⁰⁰ However, learning has been partial and not feeding into better co-operation choices: Evaluations and ROM reports for RDP 1, 2 and 3 observed shortcomings in design. The evaluation of RDP4 concludes in its overall assessment that “*a lot of this poor performance is in part due to the inadequate design of the programme*” which raises questions about whether enough lessons have been learned from previous RDPs.

Moreover, over a period of three years (2011–2013) at least ten different ROM missions and two major evaluations¹⁰¹ raised issues of sustainability relating to limited Ministry of Agriculture ownership, capacity and national budget restrictions. The EU co-operation, while working with both the Ministries of Finance and Agriculture, did not manage to convey these lessons to higher levels of Government or mobilise a group of development partners to form a joint platform through which these crucial issues could have been discussed effectively. An approach to linking lessons learned from agriculture and rural development to nutrition, economic development, governance and wider peace-building and State-building issues was lacking.

JC3.4 Capacities and organisational arrangements facilitate effective political and policy dialogue with the Government of Timor-Leste

Current capacities and organisational arrangements are not conducive to developing an effective policy and political dialogue aimed at promoting the goals of the Co-operation between the EU and Timor-Leste.

The lack of political and policy dialogue in the co-operation with Timor-Leste, and how this has affected the effectiveness of EU efforts, is one of the main stories emerging from the evaluation narrative.¹⁰² This section focuses on the EU’s organisational arrangements and capacities in support of dialogue at the political and policy levels.

Political dialogue. Political dialogue is at a very early stage and is strongly influenced by factors and organisational arrangements in Timor-Leste, which are outside the control of the Delegation, (see also JC2.4). The realities of the Timor-Leste’s political functioning requires that major decisions are endorsed by the Prime Minister.¹⁰³ Besides, Timor-Leste has no Planning Ministry or Department, leaving macro-level planning issues to be decided in exchanges between the Prime Minister’s Office and the Ministry of Finance.¹⁰⁴ The EU’s access to the Prime Minister’s Office to discuss wider macro-reform issues has been limited to informal exchanges in the context of high-level missions, such as President Barroso’s visit in 2007. Discussions with the Ministry of Finance, the NAO until 2013, has been difficult (as explained under JC7.5). Given these circumstances the strategic lines of the co-operation strategy at macro level and its relationships with the sectoral reforms were only discussed in a fragmented manner. The doors have now been opened for regular Art. 8 political dialogue.

⁹⁸ It is noted that a study assessing conditions for budget support was carried out in 2013;

⁹⁹ These aspects are in general assessed by each ROM report and external evaluation (review of ROMs and evaluation documents)

¹⁰⁰ For instance several recommendations of RDP 3 and RDP 4 evaluations, including improved focus of interventions, have been followed up

¹⁰¹ Final evaluation of RDP 3 and mid term evaluation of RDP 4

¹⁰² See also analysis of strategic relevance (EQ 1), focal sectors support (EQ 5 and 6), support to macro-level state-building and human rights issues (JC 7.5) and opportunities to achieve long term changes (EQ 9)

¹⁰³ Several interviews with Development Partners, Dili July 2014

¹⁰⁴ Exchanges with Development Partners and Head of Political Section, Delegation,

Policy Dialogue. Current organisational arrangements at EU Delegation level are not conducive to developing effective dialogue for promoting co-operation goals:

- Policy dialogue in Timor-Leste is perceived by development professionals as a challenging task¹⁰⁵ and needs to be attuned to context and culture, taking into account the sense of national pride, uneasiness with frank dialogue, a strong decision-making hierarchy and the importance of personal relationships.
- Dialogue needs to build on trust, empathy and respect, to be gained with time and good performance; administrative work and formal mechanisms on their own will not suffice to start and maintain this dialogue.
- Dialogue should also not derive from artificial donor-institution platforms but be embedded in day-to-day work at high, management and political levels within the institution. Reputation and respect need to be the basis on which to develop the dialogue. The ILO, with EU financial support from the ERA project, successfully adopted such an approach. The majority of EU interventions
- have not been effective at building such mutual trust or developing a working relationship within which a dialogue capable of influencing national policies could have emerged.
- The operational dialogue of the EU's co-operation is mainly established with middle-management staff of Government institutions,¹⁰⁶ a level that in Timor-Leste has no voice in decision-making and is ineffective in influencing sector reform.
- The EU Delegation did not build non-institutional mechanisms of dialogue to influence policy reform such as, for instance, a structured dialogue with Civil Society (see EQ8) or engaging with Parliament pro-actively to pursue reforms¹⁰⁷.
- Dialogue needs to be driven by a clear agenda, setting out the purpose of the co-operation (political or capacity development, as discussed under JC3.5), which has not been the case in the EU Co-operation in Timor-Leste.

HOW BEST TO APPROACH POLICY DIALOGUE

Policy dialogue should be

- embedded in sector work
- based on trust, good work, relationships and pro-active sector leadership
- framed by political support at the highest level
- aimed at building ownership
- executed through a mix of technical, policy and relational skills

Source: Evaluation Team elaboration, based on interviews with development partners in Timor-Leste, July 2014

In summary, dialogue takes time and, in a small environment such as Timor-Leste, it needs to build on personal exchanges. The critical lack of time available to EU Delegation staff undermined the Delegation's capacity to develop solid long-term relations with decision-makers at different levels, including with the political leadership.

JC3.5 The EU's internal structure, under which the co-operation with Timor-Leste is executed, is able to address appropriately the regional configurations on the ground

The EU internal structure and division of labour, is addressing appropriately the preferences of the Timor-Leste Government in terms of its international relations with the South-East Asian and Pacific regions. However, further political integration of Timor-Leste within ASEAN over the coming years might require a restructuring. The unclear strategic purpose of the co-operation with Timor-Leste – political or capacity development – creates regular friction between EuropeAid and the EEAS about responsibilities and priorities relating to the Co-operation.

The European Co-operation with Timor-Leste is managed politically by the EEAS Directorate dealing with North-East Asia and the Pacific and, in terms of development co-operation, by the EuropeAid Directorate H for Asia, the Middle East and the Pacific. Following Timor-Leste's signing of the Cotonou Agreement in 2005 and the clustering of Timor-Leste under the Cotonou Agreement's Pacific region, the decision to manage the relationships politically under the Pacific

¹⁰⁵ Finding supported by several exchanges with heads of co-operation agencies in Timor-Leste

¹⁰⁶ For instance with the Director of Planning of Ministry of Agriculture (Source: interviews in Dili)

¹⁰⁷ Interviews with Civil Society, focus group interview in Dili with Civil Society

Department (reporting to the Director for Asia and the Pacific) appears a logical choice, given the political course of regional relations being steered by the Government of Timor-Leste, as the following summary highlights:

Timor-Leste has applied for ASEAN membership and sees itself as a country belonging to the South-East Asian region. The Government expects that the integration into ASEAN will help to boost its economy, create more trade and employment and stabilise the country.¹⁰⁸ It also wants to maintain observer status in the Pacific Islands Forum (a key interlocutor for EU collaboration with the Pacific region) even though its interest in further political integration with the Pacific region is limited. Nevertheless, the Cotonou membership fits well with the objective of the Government to have part of its national budget funded through international co-operation (via the EDF, considerably more financial assistance can be mobilised than via the DCI). Indeed, this will allow it to stay in contact with the Pacific while not having the obligation of becoming a member, and moreover, to keep in contact with lusophone countries through the EDF/PALOP funding arrangements. The EU provides limited support to ASEAN integration, mostly in the form of declarations and informal diplomatic dialogue, but has offered to mobilise technical support for the Ministry of Foreign Affairs' ASEAN department.¹⁰⁹ Overall, from Timor-Leste's point of view, the support provided for regional integration is highly appreciated and the authorities interviewed during the evaluation expressed their satisfaction with the current arrangements and EU Co-operation support to Timor-Leste's external action.¹¹⁰ Timor-Leste's policy *vis-à-vis* the Pacific and ASEAN, however, might be re-balanced over time and should be looked at during the mid-term review of the 11th EDF.

Within the EEAS, the Directorate for South and South-East Asia is responsible for ASEAN. According to Timor-Leste priorities it could be for either of the two Directorates within the EEAS to take the political responsibility under its wings. The political dialogue is currently led by the Director for North-East Asia and the Pacific. Agenda items pertaining to ASEAN membership and the possible membership of Timor-Leste in ASEM¹¹¹ - which is under the responsibility of the Directorate for South and South-East Asia - were included in the political dialogue which took place in October 2014 based on consultations between these two Directorates

The division of responsibilities between the EEAS and DG creates the following problems for staff within the EU: 1) it creates institutional overlaps and unclear task divisions within the EU institutions; and 2) it has led to unanswered questions concerning the Co-operation with Timor-Leste, namely whether it should be primarily political in nature, with capacity development and technical support as secondary, or rather with a focus primarily on capacity development and technical assistance with an associated subsidiarity element of political co-operation. EuropeAid officials expressed their frustration that this Co-operation – which is strongly influenced by the Cotonou Agreement, its funding and the obligations this brings – is regularly 'upset' by EEAS interventions that work in a different direction.¹¹²

¹⁰⁸ Interview with Mr. Guterres, Minister of Foreign Affairs, Dili (3 July 2014)

¹⁰⁹ Ministry of Finance receives TA support for ASEAN issues from Japan and Australia but not from EU (interview with MoF, Dili, July 2014)

¹¹⁰ Interviews with Minister of Foreign Affairs and Ambassador in Brussels; See also perception survey

¹¹¹ The Asia Europe Meeting (ASEM) includes all ASEAN members and provides a framework to address challenges of global concern. Joint Conclusions, Second Enhanced Political Dialogue, Brussels, 16 October 2014

¹¹² Interviews with EuropeAid (Jos Jonckers, in particular) but also with Silvie Tabesse (HoD).

4.4 EQ4 AID MODALITIES AND INSTRUMENTS

To what extent have co-operation instruments and intervention modalities adapted to the co-operation context, supporting EU goals and building complementarities?

Summary Response Box EQ4

The use of the project aid modality was relevant to the context in 2007 and partially maintains its relevance in 2014. Projects and programmes produced outcomes at local and sector levels with mixed degree of effectiveness. Overall contributions to poverty reduction goals and State-building were considerably constrained by a fragmented and non-strategic use of the project tool, poor design, lack of policy dialogue, an only partial results framework, limited attention to outcomes and implementing partners performances, and shortage of capacities for follow-up (Delegation, NAO and national institutions). Project support and financial instruments proved to be relevant but inadequately aligned to national systems and ill-adjusted to the fragile context. Conditions are slowly being established for applying complementary modalities (including budget support) to Co-operation work.

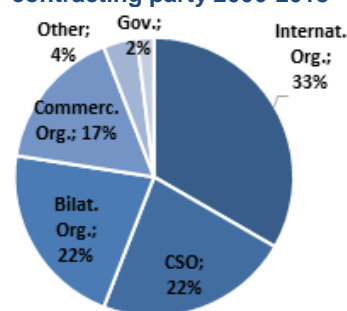
Legal instruments used by EU Co-operation proved relevant to needs and co-operation goals. Their effectiveness and impact were limited by non-strategic use, limited human resources for management and burdening procedures. Thematic budget lines contributed to positive outcomes at project level but failed to impact at sector or national levels. Regional co-operation produced positive outcomes, mostly through the “Water Facility,” in terms of improving socio-economic conditions and alleviate poverty in rural areas but not in terms of regional co-operation per se. The non-strategic use of regional instruments, and the fragmented and limited size of interventions, constrained impacts. Financial instruments and projects established few strategic complementarities and lacked support from policy and political dialogue.

JC4.1 EU choice of aid modalities and financial instruments are adapted to Timor-Leste context and effectively support measurable changes, contributing to co-operation goals

Project support was the main aid modality used during the evaluation period, producing mixed results. It was relevant for investments, which were well embedded within national institutions, owned by Government, responsive to sector strategies, and accompanied by policy dialogue at different levels (as experiences from the roads sector show). Overall, however, its contribution to long-term goals was impaired by a fragmented and non-strategic approach, poor design, and lack of Co-operation involvement in policy development. The introduction of budget support (2014) improved dialogue with Ministry of Finance but it is too early to assess its contribution to reforms. Aid modalities need to be adjusted to the context of fragility and low capacities.

The main aid modality deployed in Timor-Leste during the evaluation period has been the project approach, which has been a pragmatic and relevant response to a situation of low national capacities (few sufficiently trained Government personnel and weak national systems).¹¹³ A total of 120 contracts have been signed with an average value of €0,93M.¹¹⁴ Projects were delivered through geographic and thematic financial instruments (see also JC4.2 and 4.3). The analysis of allocations by management modalities and choice of implementing partners show a mix of implementing agencies, with the bulk of volume contracted to International Organizations (33%), CSOs (22%) and bilateral organisations (GIZ and CICL, 22%). Government agencies and institutions had a marginal share in co-operation implementation, with only 2% of the contracted volume (eight contracts to a total amount of €1.8M).

Figure 4: EC Committed amount by contracting party 2006-2013



Source: Datawarehouse and own elaboration

¹¹³ The project approach is relevant in that it requires less sophisticated skills to manage than large programmes of BS but is time consuming and not ideal for a Delegation with limited human resources and work overload

¹¹⁴ Between 2006 and 2013 have been signed 120 contracts for an overall value of € 112 M

The funded projects had mixed results in terms of supporting change (see analysis under EQs 5, 7 and 8). The analysis of 44 ROM reports (see details in Annex 8) on the criterion of “effectiveness” show an average score of 2.6 (medium-low grading) with higher performances for interventions targeting rural roads (scoring an excellent “4”) ¹¹⁵ governance (3), water and sanitation (2.8) and health (2.7). Furthermore the projects scored less on their capacity to deliver sustainable changes in the sectors of rural development, technical assistance and capacity-building (with scores ranging between 2.5 and 2.6). ¹¹⁶

The project-based EU co-operation with Timor-Leste is perceived as slow by the majority of stakeholders, burdened by heavy procedures and performing poorly.¹¹⁷ Co-operation stakeholders and government are currently questioning the project approach, and searching for opportunities for other aid modalities including BS. However, the “project versus budget support” debate appears out of place, as the issue is not the tool, but rather the way it is applied to promoting the desired changes.

Factors limiting the effectiveness of the project aid modality in Timor-Leste Co-operation are:

- isolated and non-strategic use of the project tool by the EU; (see also EQ 1 and JC 4.2)
- serious shortcomings in terms of design including weak intervention logic and inadequate development of a results framework, limiting the measurability of changes
- projects are not backed by political and policy dialogue and their use in leveraging reforms is very limited
- low attention paid to critical aspects of institutional capacity-building
- projects in general lack national ownership and have limited institutional contributions¹¹⁸;
- the rising administrative burden from the high number of contracts (120 over the evaluation period)¹¹⁹, compounded by EDF complex and lengthy procedures;¹²⁰
- performance of implementing partners varied considerably¹²¹ (see also EQ2).
- lack of systematic management by results¹²².

Only 2 % of EU Co-operation was implemented by national institutions. In general, the project tool needs to be better aligned with national systems (and take account of their weak capacities). Another factor considerably affecting the ability of the project aid modality to deliver changes is related to the NAO institutional arrangement and its limited capacities to support implementation of EU Co-operation (see JC7.2).

In an effort to enhance the effectiveness of the Co-operation, the EU tested the use of “symmetric contracts” (i.e: stipulation of similar services for different districts) with GIZ and CICL for extension services support under RDP4. The system had limitations due to the different work culture and procedures of the two organizations, which then negatively affected

All aid modalities and instruments require productive linkages with the Ministry of Finance and Line Ministries – the challenge for the NAO is to establish / strengthen these linkages; moving the NAO out of the Ministry of Finance is perceived as a serious setback for development-oriented co-operation, weakening significantly linkages between the Finance and sector Ministries for planning, budgeting and sector governance.

¹¹⁵ The best performing projects, according to ROM reports have been i) ERA (score of 4 for effectiveness) and ii) “From Hunger To Health: Strengthening Community Capacity And Resilience For Food Security in Oecusse” with a score of 3

¹¹⁶ The finding of mixed effectiveness is confirmed by other sources, including project evaluations, field visits and interviews

¹¹⁷ See perception survey, finding confirmed by several interviews; limited performances are also evidenced by ROMs and evaluations

¹¹⁸ Issues of ownership have been highlighted by ROM reports for several interventions, including the majority of Food Security Projects and RDPs; several stakeholders also confirmed limited ownership of EU programmes, including RDPs, the flagship for rural development; Key officials within the Ministry of Agriculture also recognized limited ownership. Lack of ownership involved numerous examples of lack of capacity to address recurrent costs after the end of EU support (as an example the lack of capacity of Ministry of Agriculture to provide fuel for extension staff motorbikes supplied with the RDP)

¹¹⁹ Finding confirmed by several interviews with co-operation staff in Dili and Brussels

¹²⁰ Finding supported by perception survey and several evaluation team interviews with Government officials, development partners and Non State Actors

¹²¹ Comparative analysis of ROM reports and interviews with Development Partners

¹²² Interviews with Development Partners in Dili confirmed by the lack of assessment of work of key implementing agencies

harmonization and limited influence and leverage *vis-à-vis* the Ministry of Agriculture.¹²³ Since the start of the evaluation period, institutional capacities within Government institutions have evolved which might allow different modalities to be used. Moreover increasing oil revenues and the need for better sector development and policy reform are arguments for supporting the rationale for broadening the spectrum of aid modalities to include, for example, Sector Wide Approaches¹²⁴, sector investment programmes,¹²⁵ Sector Budget Support (SBS) and Blending. Over the evaluation period the EU Co-operation has been partially adjusted to this new reality, for instance through its contribution to the World Bank Trust Fund for Health and the introduction of support to the Ministry of Finance for PFM as from 2014 (although preparations started in 2013).

The provision of Budget Support (BS) has been requested by the Ministry of Finance as a means of strengthening national systems (see also JC 9.1). First findings show that the introduction of SBS for PFM is improving the dialogue between the Ministry of Finance and the EU Delegation. The EU is invited to join monthly senior management PFM meetings, which marks a clear difference with the past.¹²⁶ Worth recording is this aid modality's potential for countering the problems associated with project aid and for creating opportunities for more effective policy dialogue, enhancing national ownership and strengthening national capacities (as discussed in Annex 14 on the New Deal). However, it is too early to judge whether this improved dialogue will be conducive to supporting the objectives of institution-building and State-building.

Non-earmarked BS has limited relevance to Timor-Leste, given rising oil revenues and the lack of financial gaps. Government systems are also not yet considered robust enough to allow for effective management of such support. These views were shared by all development partners interviewed in Dili, including GIZ, DFAT, CICL, UN Coordination and UNICEF. BS should instead be used more strategically to stimulate reform in particular sectors or for areas hitherto difficult to fund through domestic resources. The funding for PFM reform at the Ministry of Finance is such a case (see analysis of PFM support in EQ 7 and Annex 14).

Given the current condition of lack of capacity within sector ministries, it is too early to copy this approach in BS provision, although on-going reform efforts by the Government to better link reforms at central level to sector level¹²⁷ need to be supported. It is questionable, however, whether the EU Delegation – given its current human capacity situation – will be able to promote such reform at sector level sufficiently (see discussion EU Delegation capacity, EQ3). In the case of PFM, the EU benefitted from the active role of the Australian co-operation, which the EU could link up with. Being a leader in rural development, for example, the EU would need to mobilise considerable additional effort to further a reform aimed at introduction of SBS. At present it could not shoulder such a task.

Main legal instruments used by EU Co-operation (EDF, DCI Food, Instrument for Stability, Non State Actors, DCI Environment, EIDHR and Regional Instruments) proved relevant to needs and co-operation goals. Their effectiveness and impact were limited by non-strategic use, limited human resources for management and burdening procedures (see also analysis in JC 4.2 and JC 4.3).

¹²³ Finding supported by RDP 4 mid-term evaluation, RDP 4 monitoring report and interviews with Ministry of Agriculture, NAO office staff, CICL and GIZ, with converging negative assessment of the arrangement

¹²⁴ Sector Wide Approaches (swaps) are generally defined as mechanisms “by which Government and donors can support the development of a sector in an integrated fashion through a single sector policy and expenditure programme, under Government leadership, using common management and reporting procedures and progressing towards the use of Government procedures to disburse and account for all funds.” Swaps can include a wide range of aid instruments such as coordinated projects, SBS and sector basket arrangements. The defining characteristics, irrespective of how money is disbursed and accounted for, are that donors and the partner reach an agreement on sector policies and spending plans and that progress is assessed through joint reviews (Foster and Fozzard 2000, Foster and Leavy 2001).

¹²⁵ As in the model adopted for Mozambique

¹²⁶ The dialogue with the Minister of Finance over the evaluation period has been uneven and at times challenging, for the perceived low performances of EU Co-operation by the Minister of Finance. This led to the decision to move NAO to Ministry of Foreign Affairs in 2013 ; (sources: Interviews with EU delegation and NAO staff)

¹²⁷ See information about Development Partner Meeting 2014, Annex 14; interview with Minister of Finance (Brussels, Oct. 2014)

JC4.2 Support through the thematic budget lines helped promote government development priorities and changes on the ground and deliver on overall EU co-operation goals.

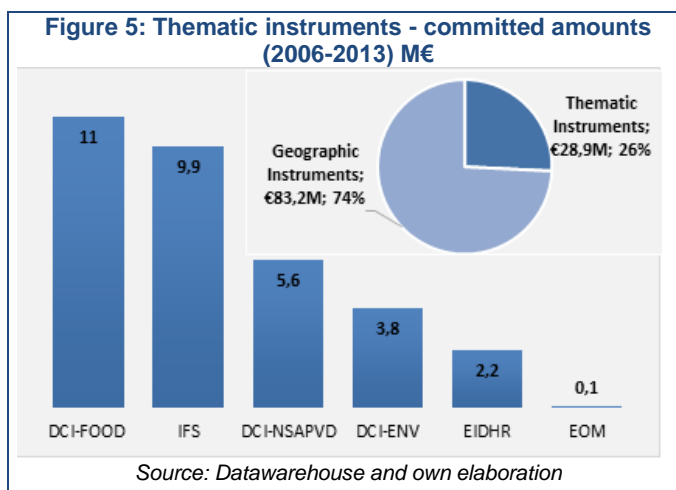
Thematic budget lines contributed €28.9M to the financial effort of EU Co-operation (about 25.7% of the total, 38 contracts) in sectors of high relevance to EU strategy and national priorities. Several positive outcomes can be attributed to these efforts, including rural roads, food security and Civil Society support. The positive results at project level, however, did not achieve an impact at sector or national levels, owing to uncoordinated and non-strategic use of the instruments and contracts often too small to achieve a critical mass. Thematic lines, coordinated, deployed and managed by Headquarters, resulted in increased workload for the EU Delegation staff, diverting energies from other priorities and limiting time for strategic thinking, which in turn constrained the overall efficiency and the effectiveness of the co-operation.

Interventions financed through thematic budget lines responded to priorities set by the Country Strategy Paper and reflected genuine demands from the sectors of intervention¹²⁸. These instruments have been particularly appreciated by Civil Society as an additional source of financial resources for intervention in priority areas.¹²⁹

Figure 5 summarizes commitments over the evaluation period; the bulk of resources (over 90%) was provided from three lines (IFS, Food Security and NSA), with three additional smaller allocations from Environment, EIDHR and the Election Observation Mission.¹³⁰

Thematic budget lines are designed to address specific demands and changes on the ground, supporting EU thematic policies, specific actors (NSA and NGO) and crosscutting issues.¹³¹ Their use proved particularly relevant in the early stages of EU co-operation with Timor-Leste in supporting the transition from the emergency phase, as they facilitated a flow of significant resources at local level and a meeting of priority needs at a time when the State and institutions were not yet in a condition to implement their mandate.

Their contribution to sector and national changes was significantly limited by weak strategies (see EQ1) and the type of procedures applied to these instruments, implemented mostly through Calls for Proposals. The analysis is confirmed by the review of ROM reports, showing a mixed level of effectiveness and no clear evidence as to what extent the interventions can contribute to lasting poverty reduction and sector development.¹³² These interventions were not designed, or indeed used, to promote policy development or support for EU thematic policies.



Their predictability in terms of resource flows is often limited and the timing does not necessarily fit with EU Delegation programming cycles. Thematic budget lines are managed from Brussels, with limited coordination with Dili.¹³³

Thematic budget lines have brought in resources and projects relevant to Co-operation goals and mostly consistent with the focal sectors (IFS, water and food security grants in line with focal sectors of governance, agriculture and health/nutrition). However, the effectiveness of these

¹²⁸ Finding supported by analysis of relevance of projects against CSP priorities

¹²⁹ Sources: Interviews with Civil Society, perception survey

¹³⁰ In 2013 was also introduced the instrument for Climate Change

¹³¹ Presentation of Thematic Budget Lines, EUROPAID

¹³² Review of ROMs reports for thematic budget lines projects

¹³³ Interviews with Co-operation staff in Brussels and in Dili

instruments is blunted by Delegation capacity constraints in terms of management, coordination and leveraging of policy dialogue. They are coordinated, deployed and managed by Brussels, with pressure to use instruments and absorb resources, and with a focus on disbursement and procedural compliance rather than on outcomes. These centrally-managed instruments significantly increase the Delegation workload, first for organizing, launching and processing Calls for Proposals, and then for the financial procedures relating to a string of small contracts (a total of 38 contracts were signed over the evaluation period, for an average value of €0.78 M per contract). Such work has been absorbing the already limited resources from other priority tasks and has shortened the time for critical priorities such as strategic thinking, development of relationships, effective management of co-operation portfolio, and policy dialogue.¹³⁴

Projects from thematic lines are then followed up through Delegation work (largely administrative) and ROM reports. No specific tools have been devised to accumulate lessons and manage these instruments to improve achievement of higher-level results.

JC4.3 Regional programs effectively support EU – Timor-Leste co-operation goals

Regional programme co-operation contributed, mostly through the “Water Facility,” to improving socio-economic conditions and alleviating poverty in rural areas but not to regional co-operation per se. PALOP interventions are positively appreciated for opportunities of international exchanges and capacity-building support, but respond more to political priorities than to a poverty reduction logic. The non-strategic use of regional instruments and of excessively small and isolated projects has limited impact.

The use of Regional co-operation funds has been increasing significantly since 2006 and over the evaluation period €8,7M was committed to Timor-Leste, mostly from the Water Facility and Energy Facility. Timor-Leste also benefited from involvement in 8 PALOP programs¹³⁵, for a total commitment of €21,5M¹³⁶ (see figure 6 and 7). Although the water facility was funded from ACP EDF regional envelope resources, it followed a thematic approach without regional objectives.

Water and Sanitation interventions responded to high priorities, featuring full relevance to poverty reduction. Their implementation contributed to positive and significant changes on the ground.¹³⁷

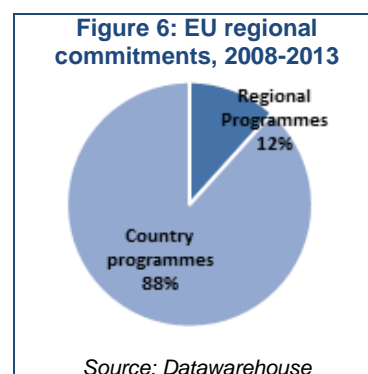
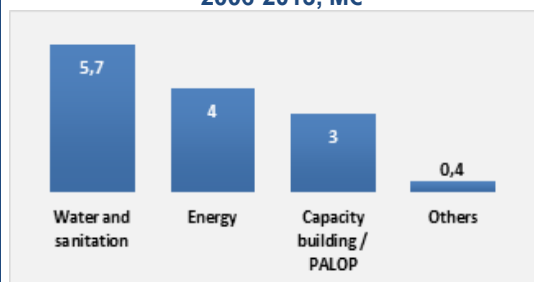


Figure 7: EU Regional commitments by sector, 2006-2013, M€



Note: Under capacity-building 8 Programmes, shared amongst PALOP beneficiaries for a total commitment €21 M; Source: Datawarehouse;

Water and sanitation interventions also had some impact on policy development¹³⁸. Interactions with other initiatives were established at project level. The effectiveness of grants received from regional thematic lines has been reduced by a fragmentary and non-strategic use of these instruments. These interventions also lacked the critical mass to produce real impact.¹³⁹

PALOP and Regional Programs did not have sizable impacts on regional aspirations or the geo-political positioning of Timor-Leste. Regional programs are particularly appreciated by the Minister of Foreign Affairs¹⁴⁰ as an opportunity for accessing additional

¹³⁴ Interviews with EuropeAid in Brussels and Delegation staff in Dili

¹³⁵ PALOP funding for Timor-Leste over the evaluation period increased from 2 to 10%

¹³⁶ Data from CRIS and evaluation team elaboration; see Inventory in Annex. There is no indication of the exact allocation to Timor-Leste of this amount. The evaluation team estimated approximately a share of 1/7 (or 14 %) corresponding approximately to € 3 M

¹³⁷ Source: ROM report (2013) “Improving access to Wash in Rural Schools, implemented by UNICEF

¹³⁸ Ibid.

¹³⁹ Finding supported by interviews, by lack of evidence of strategic use of regional instruments and by lack of evidence sector level impacts

¹⁴⁰ Interview with Minister of Foreign Affairs and NAO offices

financial resources, for allowing an international projection of the country, for building of international relationships and for developing Regional co-operation. The involvement with regional and international structures responds to foreign policy objectives more than to development co-operation priorities but contributes positively to the objective of bringing Timor-Leste closer to its neighbourhood and strengthening international relations.

PALOP projects are managed in Delegations in Cabo Verde and Mozambique, an arrangement which constrains performance and decreases ownership. Arrangements for decentralized management in Timor-Leste have not been developed.¹⁴¹

JC4.4 Strategic complementarities are established across instruments and aid modalities and help to enhance effectiveness of the co-operation on the ground

The review of projects shows frequent and positive interactions with other interventions at field level. The overall landscape is one of relevant but disjointed efforts, with few strategic complementarities. Moreover, where these do appear they do not seem to arise as a result of an approach designed across instruments to strengthen capacity to achieve sector changes, state-building and poverty reduction.

The majority of EU co-operation projects developed synergies at local level with other projects and stakeholders.¹⁴² However these interactions remained at local level. The review of the strategy and analysis of project design does not show any evidence, with few exceptions, of choices to develop complementarities across instruments and sectors that would contribute to common co-operation goals.

Thematic and regional instruments were used to finance relevant projects through a piecemeal approach, without trying to build complementarities that support national capacities for service delivery and sector development. The management focus was more on project results and disbursement performance than on strategic contributions to co-operation goals.

Factors contributing to the fragmented and non-strategic use of instruments and projects have been discussed in different sections of the evaluation:

- a strategy not sufficiently developed and operationalized, (see EQ1)
- lack of in-depth analysis of sectors and context (EQ1)
- shallow design of major interventions (EQs 3 and 5)
- internal mechanism and processes, including the prevailing compartmentalized culture in instrument and sector management and fractionalised decision-making (EQ3)
- limited capacities in the EU Delegation and NAO office (EQ3)

JC4.5 Financial instruments and aid modalities are supporting the EU's dialogue on policy reform and political dialogue with the government and with development partners

Financial instruments under delegated management provided opportunities for policy dialogue developed by partners, contributing to co-operation goals. However, the EU Co-operation failed to engage directly in political and policy dialogue, a critical factor constraining the effective use of instruments and aid modalities, thereby limiting the effectiveness of the overall financial effort.

The absence of a direct involvement in policy and political dialogue is a recurrent theme in the evaluation of EU Co-operation with Timor-Leste. Other chapters review how the co-operation failed to set up a strategy, an agenda, clear and measurable results, mechanisms, or a timeline for dialogue. Time and capacities for policy and political exchanges were limited on all sides (Delegation, NAO and national institutions).¹⁴³

¹⁴¹ Sources: Evaluation of PALOP, interviews with NAO staff

¹⁴² Review of ROM reports and projects and programmes evaluations; (see also JC 5.3 and assessment of the broad based-approach)

¹⁴³ The issue is discussed also in EQ 1 (strategy and dialogue), 3 (mechanisms and dialogue), 5 (sector support and dialogue) 7 (governance) and 9 (contributions to long term changes)

However, in several instances EU financial resources supported policy dialogue undertaken by partners. Examples include PFM dialogue by the WB, dialogue for strengthening national mechanisms and budget for rural roads construction (ILO), support to the 1325 agenda (UNW), and water and sanitation policies (UNICEF).

Specific instruments to promote dialogue such as the 'EU Visitors Programme' have been used on a small scale¹⁴⁴ and could not be expected to produce important outcomes. Thematic budget lines (see JC4.2) were not effective in supporting EU thematic policies.

Consequently, instruments and projects failed to benefit from direct EU involvement in a structured dialogue aimed at leveraging and supporting policy development. This affected the ownership, effectiveness, sustainability and impact opportunities of EU Co-operation¹⁴⁵. Analysis of project frameworks reveal the very limited definitions typically used for such terms as "policy-related results" and contractual "pre-conditions", which is disappointing as these could possibly have supported policy development.

Useful lessons were however learned where the project approach modality was embedded in national institutions (see ILO and ERA project) and did not operate as a parallel structure. In such cases, there was evidence to show that it contributed to development of both political and policy dialogue.

4.5 EQ5 FOCAL SECTORS AND SUSTAINABLE DEVELOPMENT

To what extent has the EU Co-operation contributed to sustainable development, support to a non-oil economy and improved service delivery through the two focal sectors of rural development and health?

Summary Response Box EQ5

The EU Co-operation supported Timor-Leste with a significant volume of projects and programmes targeting rural development and health. The strategy was meant to support the development of a non-oil economy and improve socio-economic conditions in rural areas through a broad range of actions, including improved access, increased production and food security, improved extension services and farmers' organizations.

Efforts have been largely relevant to the focal sector and national priorities, with mixed performance and effectiveness; interventions on rural roads responded to the highest national priorities and contributed to significantly reducing isolation and improving socio-economic development in rural areas. Projects for water and sanitation also responded to urgent needs and contributed to enhancing living conditions for beneficiaries. Limited interactions and complementarities were established across projects, but interventions have been largely disjointed.

Institutional capacity-building was limited in scope and overall the EU Co-operation, with the exception of improved extension services, has not improved the Ministry of Agriculture's capacities and performance: the EU Co-operation was more angled towards doing things rather than developing national capacities for supporting the agricultural sector. National ownership of EU projects in general was low. Focal sector support did not tackle policy development and sector governance.

Overall contributions to changes on the ground have been limited as efforts have been fragmented and, with few exceptions (rural roads), have not addressed structural factors affecting poverty, rural development and employment. EU Co-operation also did not address the root causes of instability in rural areas.

During the evaluation period the EU Co-operation with Timor-Leste invested €52,7M, about 65% of the total committed amount, in contributing to sustainable development and improved service delivery, particularly in rural areas, with a long-term goal of poverty reduction. In particular, the EC committed €31M (59% of total sustainable development projects) in support of agriculture and rural

¹⁴⁴ Interview with EU Co-operation political advisor

¹⁴⁵ Evaluation team assessment, supported by findings of several ROMs reports and evaluations, evidencing the lack of policy dialogue and its effects on projects effectiveness and sustainability. The finding is also confirmed by interviews with project staff, development partners and found confirmation during field visits

development, €10M in favour of the health sector (19%) and €5.7M (11%) in favour of the food security sector; see figure 10. Co-operation efforts were delivered through the project aid modality, with a total of 43 contracts managed by different categories of stakeholder: Member States' bilateral co-operation, UN Agencies, Non-State Actors, and Private Firms.

JC5.1 Co-operation efforts in rural development (including rural roads) and health helped to influence poverty reduction and social-economic development

Interventions supporting agriculture and the health sectors – with the exception of projects for improving rural roads and water and sanitation interventions, and despite producing several positive project-level outcomes – lacked the capacity to influence effectively either poverty reduction or improvements in socio-economic conditions in rural areas.

Limited impact for agriculture and health sectors support. The overall prospects for impact were weakened by a lack of sector vision, the limited capacity of the majority of projects to impact on poverty reduction and sector development, and a portfolio of fragmented and disjointed interventions. The finding is supported by converging evidence:

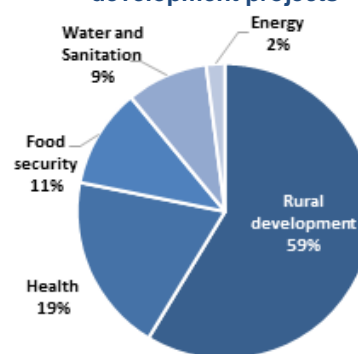
- Evaluations of RDPs 2, 3 and 4 do not demonstrate evidence of impacts on poverty reduction, and reveal fragmentation of effort, poor design and a lack of a solid approach to building sustainability.
- A comparative analysis of the ROM reports for 16 interventions, totalling €39.6M,¹⁴⁶ supports a conclusion of limited impact opportunities¹⁴⁷, although impact ratings show an acceptable average overall (the majority of projects score a positive “B” in terms of “impact prospects”). The ROM reports consistently describe a story of fragmented interventions targeting a minor proportion of the overall rural population, and limited benefits derived largely from project-induced yield increases, supported by strengthened know-how, organisation and access. There is no evidence of interventions tackling other factors critically constraining agricultural development. ROM analyses also show that only marginal contributions were made to permanent job creation. Such outcomes may to some extent affect food security gaps for specific groups but overall will not impact significantly on poverty reduction in rural Timor-Leste.
- Even though several projects produced positive outcomes, the limited resources allocated by the 10th EDF over a timespan of six years and the fragmentation of efforts were not sufficient to achieve significant changes at sector and national level.¹⁴⁸

Table 4: EC Interventions targeting rural development and health in Timor-Leste, 2006-2013, €

Sector	2008-2013		
	Committed	contracts	% on tot
Rural development	30,937,665	24	38%
Food security	5,745,229	6	7%
Water and Sanitation	4,701,962	3	6%
Energy	1,078,255	1	1%
Health	10,285,117	7	13%
Subtotal Rural Dev. and health	52,748,228	43	65.00%
TOTAL CO-OPERATION	82,239,228		100%

Source: EC Datawarehouse and own elaboration

Figure 8: EU committed amount in Timor-Leste for sustainable development projects



Source: datawarehouse and own elaboration

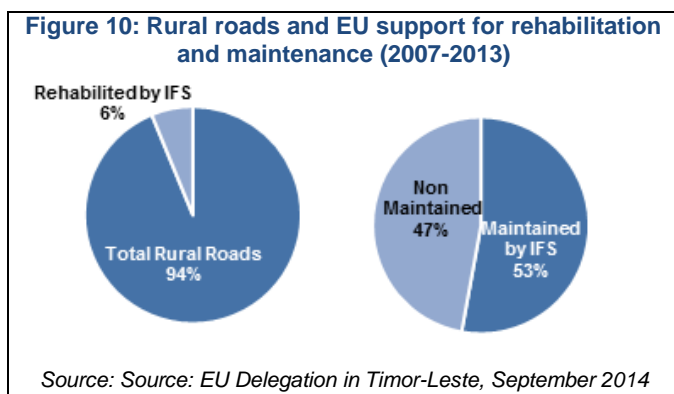
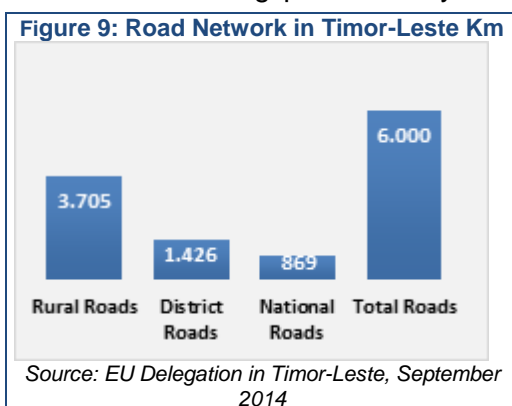
¹⁴⁶ Value equivalent to 93% of financial resources invested in rural development, including water and sanitation and energy

¹⁴⁷ ROMs are carried out during project implementation and their assessment focuses on impact opportunities rather than appraisal of impacts

¹⁴⁸ Some examples: i) rural roads rehabilitation covered 6% of the road network; ii) food security and nutrition projects addressed approximately 10,000 households,¹⁴⁸ a target representing about 8% of rural population of Timor-Leste.¹⁴⁸ Some job opportunities might have been created through coffee and cash crops support and other interventions supporting the agricultural sector, but this may have had a very limited impact on a population increasing at an annual rate of 2,25% (about 10,000 children per year for rural population).

- Key informants in Timor-Leste¹⁴⁹ concur in affirming that EU Co-operation supporting rural development had minimal impact on poverty reduction.¹⁵⁰
- Evaluation team field visits¹⁵¹ found some signs of positive outcomes, particularly in terms of increased skills, strengthened farmer organisations and development of small coffee marketing associations. However the evidence collected¹⁵² points to limited, episodic cases of socio-economic benefits. The majority of efforts designed to increase farmers’ know-how, strengthen farmers’ organization and support production had only limited effects in improving people lives. Evidence of the link between reduction in poverty and the EU interventions was inconclusive, with the exception of the rural roads rehabilitation and water and sanitation programmes. Farmers interviewed did not perceive significant changes in their lives due to EU interventions.¹⁵³

Rural roads. Poverty being strongly related to access, and rural roads being perceived by the population as the first development priority for Timor-Leste¹⁵⁴, EU interventions in rural roads rehabilitation¹⁵⁵ (and private sector capacity-building for road works) provided a good opportunity for affecting positively the socio-economic conditions of beneficiary communities¹⁵⁶. The two rural road projects are the only projects scoring a full A for “impact” prospects” in ROM reports¹⁵⁷. Effectiveness and impact opportunities were enhanced by the ILO approach, working within institutions and developing trust and dialogue with counterparts¹⁵⁸. Implementation of the EU Co-operation underpinned an improvement in national procurement mechanisms and procedures, influencing the development of stronger national allocations for rural roads.



Over the evaluation period the EU financially supported the rehabilitation of 245 km (about 6% of the overall network), and the maintenance of 1,959 km (47%), figures that represent a sizable contribution to addressing isolation and improving access in rural areas, positively affecting the socio-economic conditions of the beneficiary communities.

Further evidence of the positive impact of rural roads on the socio-economic conditions of rural populations is supported by project

¹⁴⁹ Evaluation Team interviews with: Ministry of Agriculture staff, ex Delegation staff, Deputy Minister, NAO staff, ex NAO TA, other Development Partners,

¹⁵⁰ Interviewees offered a range of reasons including disjointed interventions; lack of geographical focus; limited national ownership; limited farmer incentives to increase yields and production; lack of efforts to address key structural constraints in the sector; and limited efforts to strengthen national capacities or support sector reforms.

¹⁵¹ Field visits were limited to Manufai and Bobonaro districts and observations cannot be generalized to other Districts

¹⁵² Triangulated evidence includes: screening of Evaluation and ROM reports, interviews to numerous stakeholders interviewed and visits to farmers and farmers associations

¹⁵³ Positive effects on livelihood were seen in a farmer group working on coffee production, processing and marketing

¹⁵⁴ IRI Public opinion poll, 2013

¹⁵⁵ “Investment budget execution support for rural infrastructure and employment” (Instrument for Stability, € 1,5 M and ERA, formerly RDP 4, € 2,5 M) both implemented by ILO

¹⁵⁶ Finding consistently supported by interviewed beneficiary communities, ERA monitoring system and impact indicators, rural infrastructure evaluation report and ROMs; a very positive analysis of ILO approach to rural roads with EU support was already carried out in 2007 through the final evaluation of “Timor-Leste – Work for Peace Project, Projektu Serbisu Ba Dame”, ILO / UNDP, In co-operation with the Government of Timor-Leste, Funded by European Union. Report, September, 2007, Welmoed Koekebakker

¹⁵⁷ ERA ROM scored an ‘A’ for all 5 assessment criteria, an exceptional monitoring result; the evaluation team visited ERA interventions in Bobonaro and findings tend to support the monitor assessment.

¹⁵⁸ Interviews with ILO, supported by several external assessments of ILO activities in Timor-Leste, starting with the final evaluation of “Work for Peace, 2007”

level evaluations,¹⁵⁹ impact analysis and surveys carried out by ILO¹⁶⁰ and rural roads assessment by Development Partners.¹⁶¹

Water and sanitation. This group of interventions responded to the highest priorities and needs of the rural population.¹⁶² Water and sanitation projects were delivered effectively, according to a ROM analysis; however, the same ROM report revealed low impact prospects and a need to strengthen organisation and maintenance arrangements. The project, implemented by UNICEF, supported policy advocacy and preparation of policy guidelines¹⁶³.

EU CO-OPERATION
AGRICULTURAL SECTOR
STRATEGY BUILDS ON THE
INCOMPLETE ASSUMPTION
THAT AGRICULTURAL
DEVELOPMENT IS CRITICALLY
CONSTRAINED BY FARMERS'
KNOW-HOW

Strategy and impact opportunities. The finding that there were limited opportunities for long-term impacts on poverty reduction beyond the positive changes delivered by roads and water and sanitation programmes is also supported by sector strategy analysis. Strategic choices for the majority of EU interventions in agriculture focused on support for local-level extension service organisation and know-how (particularly in RDP3 and 4), and farmer organisations and related know-how (food security projects).

These choices build on the assumption that improved know-how will produce higher yields, and that this will be reflected in additional production, with enhanced food availability and marketable output, thus improving both food security and farmers' revenues and their socio-economic conditions, thereby reducing poverty. Nonetheless, the information gathered during the fieldwork suggests that these hypotheses do not hold true and do not address key factors driving farmers' choices¹⁶⁴, since:

- agricultural activities in Timor-Leste are in general oriented to subsistence, barter and, to a limited extent, import substitution; agricultural production for the market economy is marginal
- production costs are very high and not competitive in the region
- remuneration of family labour for major crops (rice, maize, coffee) tends to be very low¹⁶⁵, often much lower than the opportunity cost of labour in rural areas (US\$ 4 per day)
- farmers rely significantly on non-farming revenues (social transfers and remittances)
- farming inputs, including mechanical ploughing, are largely provided free of charge (or are heavily subsidized) by the Government
- rice is imported at a subsidized price (production cost is estimated at about US\$ 600 /ton while imported rice is available at about US\$ 400 / ton)
- the market economy is further constrained by access, lack of a vital market, lack of access to credit, and difficulty in obtaining land property certificates
- youth is not attracted by agriculture and farming is carried out largely by elderly people

Under these circumstances, farmers have no incentives to increase production, face risks, intensify investments, or increase the number of days working in their fields. New practices, as recommended by donor-driven projects and extension services, may improve yields but only in the short term. Following project support, farmers are likely to return to low-input and minimum-risk systems. Increases in yields under these circumstances often result in decisions to farm smaller areas and so do not significantly increase marketable output¹⁶⁶. This sector context cannot realistically generate a significant number of new jobs, particularly for youth.¹⁶⁷

¹⁵⁹ i.e.: Timor-Leste – Work for Peace Project “Projektu Serbisu Ba Dame” Welmoed Koekebakker, 2007

¹⁶⁰ ILO monitoring of ERA, impact indicators 2014

¹⁶¹ Presentation by Development Partners, Infrastructure Strategic Sector, presented by Richard Phelps, Asian Development Bank, Timor-Leste & Development Partners Meeting (TLDPM), Dili Convention Centre, 25-26 July 2014

¹⁶² Priority number two in IRI poll, see figure above

¹⁶³ source: ROM report for “Improving access to water” (2013), project managed by UNICEF

¹⁶⁴ The analysis is further developed on the Case Study assessing the agricultural sector and key constraints

¹⁶⁵ Interviews with World Bank and Australian Co-operation, citing farming system analysis- 2012 / 2013 – Opportunity costs for labors derived from ILO

¹⁶⁶ Finding confirmed by i) several agricultural sector key informants, various examples of farmers decreasing areas following improved practices and iii) examples of farmers abandoning project promoted farming areas (also confirmed by Ministry of Agriculture in Manufai). Farmers also confirmed the perceived lack of incentives to increase production.

¹⁶⁷ An estimated 12,000 youth enter every year in Timor-Leste labor market. Source: interviews with Australian Co-operation and GTZ

The evaluation gathered evidence of agricultural infrastructure (rice networks and rural markets) developed by projects – including in RDP 3 – but soon abandoned by farmers.

JC5.2 The EU contributed to sustainable development, including agriculture, through the strengthening of national capacities and systems for rural development, resulting in more effective national institutions.

Institutional strengthening and capacity-building has been marginal, the main results relating to local-level extension service support. Critical institutional issues have not been tackled and the Ministry of Agriculture’s capacities, after ten years of EU support, remain very low.

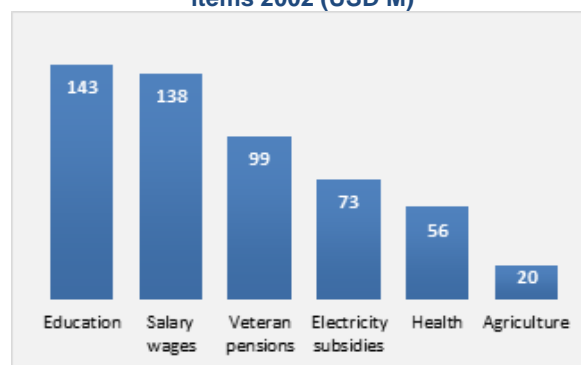
For the agricultural sector, institutional capacity-building focused mainly on extension services, in terms of development at local level of knowledge, extension service organisation, equipment and infrastructure. This significantly expanded extension service capacities. Through the ERA project the EU Co-operation also supported the private sector’s capacity to construct rural roads through public contracts. Additionally the EU Co-operation supported farmers’ associations’ and Non-State Actors’ capacities.¹⁶⁸

The effectiveness of extension service capacity-building was weakened by the absence of an overall results-based system for following up the quantity and quality (based also on farmers’ assessments) of service delivery and outcomes.

The EU Co-operation, beyond these partial results, missed the opportunity - as a major donor to the agricultural sector - to establish sector leadership and strengthen broader national capacity to support agricultural and rural development; specifically:

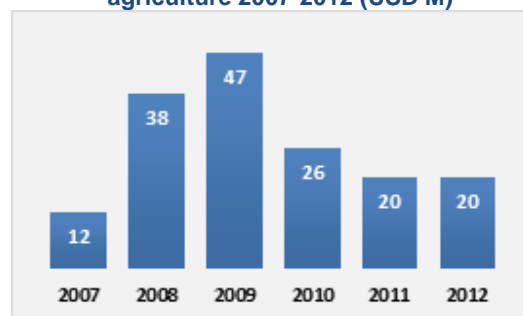
- Strategy and implementation were not based on an institutional assessment and gap analysis, and no specific capacity-building strategy was developed;
- No policy agenda or dialogue was established with the Ministry of Agriculture (see JC 5.6);
- No dialogue with a view to sector prioritization and budgeting was developed at national level (see figure 11 showing how agriculture is one of the lowest budget sectors in Timor-Leste);
- Sector governance was not addressed, leaving pending such issues as transparency, accountability and inequitable access to government inputs;
- The EU Co-operation did not address any of the institutional capacities critical to sector development, including policy development, sector assessment, sector management, sector coordination, sector dialogue and ministry organisation;
- Agricultural sector reforms (such as import subsidies, input subsidies and land rights) were not considered¹⁶⁹;
- Although actively supporting both the Ministry of Finance and the Direction of Planning within the Ministry of Agriculture, the EU missed the opportunity of developing or supporting a results-based planning and budgeting system for the agricultural sector.

Figure 11: Government spending on main budget items 2002 (USD M)



Source: RDTL MoF Transparency Portal

Figure 12: Government recurrent spending for agriculture 2007-2012 (USD M)



Source: RDTL MoF Transparency Portal

¹⁶⁸ Food security projects implemented by NGOs and Hasatil network support

¹⁶⁹ With the exception of extension services organization

The failure to set up a sectoral inter-ministerial coordination mechanism¹⁷⁰ through RDP 4 (IRDP component) did not contribute to improving sector capacities.

Ministry of Agriculture ownership of most interventions has been low or very low¹⁷¹, and even the RDPs are perceived as “EU” rather than “national” interventions; national contributions to projects have been low, again in terms of management capacities. The Ministry of Agriculture budget was not adjusted to meet the additional recurrent costs incurred by EU projects.¹⁷²

Indicators show that throughout the whole evaluation period national sector capacities decreased, including a constant downscaling of national budget allocations since 2009 (see figure 14) and a further 30% contraction of the national budget for agriculture in 2014. Donor sector support paradoxically justified cuts in the agricultural budget. Several ROM reports¹⁷³ and RDP evaluations identified budgeting constraints as a key factor limiting national capacities for sector operation and sustainability of EU projects.¹⁷⁴

Need to strengthen sector budget absorption capacity

As Timor-Leste’s main limiting constraint on sustainable development is not **budget availability** but rather **sector capacity for service delivery and budget absorption**¹⁷⁵, efforts should be strategically directed - instead of substituting for national service delivery - to supporting effective institutions capable of defining priorities, strengthening service delivery, improving sector governance, addressing policy reforms, and supporting structural changes. At the central level, the EU Co-operation was more angled towards “doing things” rather than developing the Ministry of Agriculture’s capacity to support sector development. This has been a major factor undermining the Co-operation’s impact on long-term goals (see EQ 1) and underlining the failure to adjust to Timor-Leste’s situation of relative wealth and oil revenues. At a decentralized level (for instance in Manufhai District) EU Co-operation supported local actors’ capacities, enabling service delivery.

JC5.3 The EU contributed to sustainable rural development by supporting a comprehensive and broad-based approach as stated in the 10th EDF Country Strategy Paper

The broad-based approach was a common feature of the majority of agricultural and rural development projects, favouring local level interactions, coordination and synergies.

At local level, EU projects in general developed positive interactions with local actors, including district administrations, other institutions, suco¹⁷⁶ authorities, Non-State Actors, other projects, communities and farmers’ organisations. The broad-based approach was a positive feature of EU strategy and was often integrated into project design.¹⁷⁷ Several co-operation stakeholders explained how establishing effective coordination and interactions at local level proved much easier than at central level.

The evaluation identified a couple of aspects relating to local coordination, which deserve strengthening:

- The dialogue between government and NGOs for sector development¹⁷⁸
- The different organisational culture between GIZ and CICL that limited the alignment of approaches and procedures for extension work support.¹⁷⁹

¹⁷⁰ Poor design and excessive complexity, lack of ownership, lack of dialogue, missed political support and weak implementation were reasons contributing to the fiasco (sources: several evaluation interviews, ROM on IRCD-TA (2013) and analysis of IRCD design)

¹⁷¹ Converging conclusion of the majority of 16 ROMs, RDPs evaluation and interviews, including Ministry of Agriculture

¹⁷² Notwithstanding the very limited budget for recurrent expenditures allocated to the agricultural sector, Timor-Leste is investing heavily in agricultural development, with infrastructures (including irrigation schemes), input provision (purchase and use of tractors for land preparation), and subsidies

¹⁷³ e.g.: 2011 ROM for RDP3, 2011 ROM on Concern Food Security Project (2007 – 2010), 2011 ROM on Hivos Food Security project, 2012 ROM on GIZ component of RDP4 and 2013 ROM on GIZ Food Security and Diversification project

¹⁷⁴ For instance motorbikes purchased through RDP have a limited use as extension staff have a monthly allocation for fuel of only \$ 10 (sources: extension staff in Manufai, GTZ, Ministry of Agriculture)

¹⁷⁵ Several sources, including Ministry of Agriculture senior officials, pointed to the agricultural sector limited capacities to absorb financial resources

¹⁷⁶ The sub-districts of Timor-Leste are subdivided into 442 sucos (“villages”) and 2,336 aldeias (“communities”, “hamlets”)

¹⁷⁷ Several ROM reports underscored the capacity to establish such broad based approach, including most of NGOs-managed food security projects, RDPs, TIM, ERA, improved access to water and sanitation in schools.

¹⁷⁸ Sources: i) ROM for strengthening HASATIL network (2013) and ii) evaluation analysis of CSO support (see EQ8)

¹⁷⁹ Sources: Interviews with EU Delegation, GIZ, CICL, Ministry of Agriculture, ROM (2012) for GIZ RDP 4 support to extension

JC5.4 The EU coherently supported agricultural production and improved food security and contributed to improve the nutrition levels of the population of Timor-Leste.

The majority of agricultural sector projects have been supporting agricultural production. Their effectiveness has been diluted owing to lack of incentives for farmers to work more on their farms to produce marketable surpluses, and by low-cost access to subsidized imported commodities.

The string of NSA-implemented projects on food security¹⁸⁰ and several RDP interventions supported the objectives of increased agricultural production, crop diversification, improvement of farming systems, integrated crop management, and grain loss control, with the goal of improving food security for local communities.¹⁸¹ The overall picture is of mixed outcomes and fragmented efforts; specifically:

- the effectiveness of food security interventions was variable¹⁸², with projects scoring B for the most part and C for a few; positive results include development of farmers' groups, vegetable gardening, intercropping, improved production packages for rice and coffee, input delivery, and livestock donation and support
- the number of beneficiary households is highly variable, ranging from 600 (World Vision food security project in Baucau) to 3,000 (CARE food security project); as a very rough approximation, on the basis of 1,000 beneficiaries per euro million of financial assistance, about 10,000 households have been supported by the EU Co-operation; but it was noted that the EU Co-operation lacks a comprehensive monitoring system to follow up beneficiaries and outcomes
- the vulnerability of beneficiaries also varies significantly; in some cases the most vulnerable households are targeted, in others the capacities of individuals and groups are factors determining eligibility for project support
- in general projects have incomplete and non-harmonized results-based frameworks¹⁸³
- sustainability constraints are evident in the Ministry of Agriculture's lack of capacity for follow-up due to limited capacities and budget.

These interventions are strategically relevant to a situation of transition from emergency to development, as was prevalent when the projects were launched. Actual impact may have been diluted by the fragmented nature of efforts and by a lack of attention to the key causes of malnutrition and food insecurity.¹⁸⁴

Unless good coordination with the EUD is assured, the mechanism of grants awarded through the food security budget line weakens the opportunity to develop a coherent and systematic strategy to address food security and improve nutrition at country level. The food security and nutrition support intervention strategy does not seem to be informed by specific assessments of food insecurity and malnutrition, nor does it address the lack of institutional capacity to tackle food insecurity. Since 2013 nutritional issues have been re-prioritized through political discourse and the government agenda, and an *ad hoc* coordination mechanism (KONSSANTIL) has been established.

JC5.5 EU Co-operation efforts in the health sector are geared to improve the quality of services

Interventions supporting the health sector have been relevant and largely designed to improve the quality of service delivery. Several issues constrained effectiveness, including design, limited timeframe and lack of policy dialogue.

¹⁸⁰ Implemented by Childfund, Oxfam, World Neighbourhood, Care, Concern, World Vision and Hivos, totaling a commitment of € 7,6 M

¹⁸¹ The main source about results on food security projects are 7 ROMs reports.

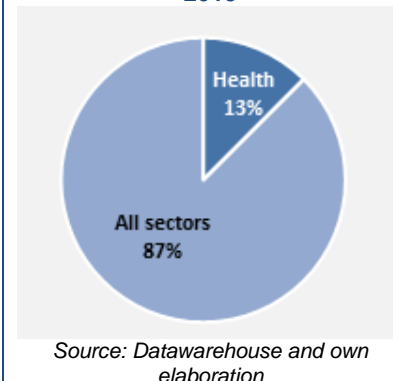
¹⁸² See analysis of ROM reports

¹⁸³ Finding supported by several observations of ROM reports, RDPs evaluation and evaluation team assessment of intervention logics for EU projects

¹⁸⁴ According to a Government Survey malnutrition indicators are not correlated to poverty and lack of access, with comparable prevalence in urban and rural settings

Over the period 2008-2013 the EU deployed 13% of its financial assistance to the health sector (see Figure 13) through a large institutional strengthening project (Support to the Health Sector, €8.3M) and two smaller interventions (Reaching out: extending the reach of comprehensive sexual and reproductive health care to vulnerable communities in rural Timor-Leste, €0.9M; and Projecto Comunidade Saudável, €0.8M).

Figure 13: EuropeAid Committed Amount to Health sector, 2008-2013



The SHS project, co-funded by Australian co-operation¹⁸⁵ and implemented by the World Bank, was designed to support the Government in achievement of the National Health Plan, improving Ministry of Health services and management capacities, through three main results: i) improved public financial management and fund flows for service delivery, ii) strengthened pharmaceuticals and medical supplies management and iii) improved decision-making and sector coordination.

The intervention is potentially very relevant to poverty reduction goals, national priorities and MDGs. In particular the evaluation found that the institutional approach, supporting the country in achieving improved capacities for health services management and delivery, is appropriate to the Timor-Leste context, building national capacities that should contribute to poverty reduction.

Unfortunately, the design and implementation of the SHS limited its capacity to deliver the expected benefits. The project was repeatedly scored as unsatisfactory by WB review missions and Australia pulled out in 2014, in view of the limited results achieved.¹⁸⁶ The SHS project contribution to long-term changes has been further constrained by the limited involvement in policy dialogue, weak sector coordination, and shortage of capacities both within and outside the Ministry.

JC5.6 Policy dialogue has been leveraging key sector reforms in areas relevant to sustainable rural development, nutrition and health.

Policy development has been influenced through support for implementing partners. However, the EU Co-operation has been unable to directly engage in policy dialogue and the sector reform processes have lacked a policy dialogue agenda, adequate mechanisms and capacities.

The EU Co-operation has not even entered the dialogue arena and has not identified agricultural sector policy priorities. It neither built up a dialogue agenda, nor developed a strategy, nor established appropriate dialogue mechanisms, nor set out a road map for reform. Common ground for sector policy reforms has not been discussed with other development partners.

Dialogue was irregular and targeted on Ministry middle management, too far below the decision-making level¹⁸⁷. The EU did not take a critical stance on the government's rice import subsidy, on subsidies to agricultural inputs, or on social transfers, which might generate counterproductive incentives for agricultural growth¹⁸⁸. The system of unequal allocation of agricultural inputs that favoured party-affiliated farmers and communities¹⁸⁹ was not addressed, although the mechanism negatively affected sector sustainability, good governance and democracy.

¹⁸⁵ The Australian Department of Foreign Affairs and Trade (DFAT) decided in 2014 to end its financial support to the Support to the Health Sector Project

¹⁸⁶ Sources: i) interview with Australian Co-operation management; ii) EU delegation communication (October 2014), iii) ROM report and iv) Programme evaluation

¹⁸⁷ Interviews with Co-operation staff, including projects Technical Assistance, with Ministry of Agriculture staff and several development partners

¹⁸⁸ See ongoing study by JICA and WB report on constraints for setting up a market oriented agriculture; Finding confirmed by several interviews with agricultural sector key informants

¹⁸⁹ Confirmation of the unequal allocation of subsidies was provided by farmers met during field visits, extension staff and confirmed by several Development Partners

The few positive instances of policy changes supported by EU financial assistance for the rural development sector include: (i) policy for water and sanitation (through UNICEF), (ii) mechanisms for public works bidding (through ILO), (iii) extension service policies and health sector policies.

Although the Ministry of Agriculture is admittedly weak in policy analysis¹⁹⁰, no support has been offered to promote understanding or address policy distortions. Critical issues for sector policy reforms have been overlooked, including subsidies for rice, input subsidies, buying-in of farmers' products, land property rights, and market-oriented reforms¹⁹¹.

There are several reasons for this conspicuous gap in the Co-operation work, including lack of time resources and relevant expertise (for instance related to health, nutrition, agriculture and infrastructure) among Delegation staff; a cautious and passive EU stance towards policy dialogue; lack of proper sectoral assessment; rigidities within the Ministry of Agriculture; lack of counterparts for dialogue; political divisions; donor crowding; and limited credibility of the EU Co-operation as a policy reform adviser.

4.6 EQ6 SUPPORTING TIMOR-LESTE THROUGH CROSS-CUTTING ISSUES

To what extent has EU Co-operation managed to mainstream cross-cutting issues relating to environment, climate change and gender throughout its co-operation efforts?

Summary Response Box EQ6

The EU Co-operation documentation addressed crosscutting issues in its strategy, implementation, monitoring and evaluation, but the level of attention was low and the measures taken lacked strategic relevance, and were on a small scale and dispersed. Moreover there was no support for institutional capacity-building and policy dialogue to create national capacities for addressing priorities for gender and environment.

JC6.1 The three cross-cutting issues of environment, climate change and gender are clearly addressed with appropriate measures in EU strategies, policy, programming and implementation plans in Timor-Leste

Co-operation documentation addresses crosscutting issues of gender, environment and climate change through strategy, project design, monitoring and evaluation. However, the level of attention is low and the perfunctory measures taken do not allow a meaningful contribution to strategic change.

Cross-cutting issues are taken into account in the EU Co-operation strategy, implementation and follow up: the EU Country Strategy Paper specifically addresses cross-cutting priorities¹⁹² and several projects incorporate gender and environmental concerns in their design and implementation. In addition, ROM and evaluations systematically cover cross-cutting issues. Several interventions were specifically financed to address gender (see below). Environmental sustainability was partly supported by food security and biodiversity interventions. Climate change received an allocation of €3,8M in 2104.

The measures taken to support crosscutting issues are relevant and have contributed to project level results, often on a very limited scale.

However, these measures are not conducive to significant changes at national level, owing to lack of a coherent strategy and to fragmented implementation. Evidence shows that these issues do not

¹⁹⁰ Interview with Vice Minister of Agriculture, other agriculture officials and interviews with several Development Partners

¹⁹¹ Sources: World Bank report on constraints to market-oriented agriculture and interviews with several agricultural sector key informants; policy constraints are also mentioned by EU CSP

¹⁹² Cross-cutting issues as listed by 2008 – 2013 CSP include: gender equality, the promotion of human rights, children's rights and the rights of indigenous people, environmental sustainability and combating HIV/AIDS.

represent a priority in the current context of EU Co-operation with Timor-Leste and the level of attention is low, often pro-forma; for example:

- no sector-specific operational strategy has been developed for addressing gender (see also JC 6.2), environment and climate change in the Co-operation with Timor-Leste
- only limited human resources are available for follow-up to promote consultation, dialogue and public awareness supporting these themes
- only limited financial resources are available for promoting crosscutting issues (with the exception of Climate Change)
- instances of dialogue with the Government¹⁹³ or Civil Society on these themes are few
- little support was provided for institutional capacity-building and policy changes in support of gender, environment and climate change goals

Gender and environment represent critical priorities for the Timor-Leste population. Climate change is a concept not well understood by national stakeholders, including Government, institutions and final beneficiaries and does not rank high amongst national priorities¹⁹⁴.

JC6.2 EU efforts to support gender equality and empowerment are embedded throughout EU interventions and have contributed to changes on the ground in the focal sectors of EU co-operation.

Support for gender equality and women's empowerment is not embedded throughout EU interventions. A gender equality approach is not mainstreamed in EU co-operation efforts in Timor-Leste.

EU support for gender equality and women's empowerment in Timor-Leste is informed by EU Policy frameworks such as the Common EU Agenda on Gender Policies in Development, emphasizing the centrality of gender equality and women's empowerment in EU Co-operation.¹⁹⁵ A gender equality perspective is integrated in the EU Country Strategy Paper. The EU Delegation does not have a country-specific gender equality strategy¹⁹⁶ in Timor-Leste.

Since independence Timor-Leste has made notable advances in strengthening the gender equality agenda, using policy reform, legislation, institutional mechanisms and public awareness campaigns. Gender equality is enshrined in the constitution, CEDAW was ratified¹⁹⁷, there is political commitment¹⁹⁸, a national machinery for gender equality - SEPI¹⁹⁹ - is in place²⁰⁰, and new legal frameworks reflect commitment to advance gender equality.

Women's organisations have emerged as an important force in the country. Women's representation in parliament is strong²⁰¹.

However, realities on the ground in all sectors (Health, Education, Nutrition, Poverty alleviation, Watsan, Security, Law/Family Code e.a.²⁰²) still reflect huge critical gender gaps. One of the

¹⁹³ See example for EU support to Social Service Delivery, discussed in EQ 8

¹⁹⁴ Evaluation interviews with national co-operation stakeholders, rural population and development partners.

¹⁹⁵ European Commission: EU Plan of Action on Gender Equality and Women's Empowerment in Development 2010-2015, Brussels, 8.3.2010 SEC(2010) 265 final. The Action Plan is based on a three-pronged approach consisting of Political and Policy Dialogue, Gender Mainstreaming, and Specific Actions. Other EU policy frameworks: The Agenda For Change (COM (2011) 637 final); EU Strategic framework on Human Rights and Democracy, adopted 25 June 2012

¹⁹⁶ Communicated by EU Delegation, May and June 2014.

¹⁹⁷ CEDAW, Committee on the Elimination of Discrimination against Women, Forty-fourth session, 2009; Concluding observations of the Committee on the Elimination of Discrimination against Women Timor-Leste, CEDAW/C/TLS/CO/1,

¹⁹⁸ As reflected in the *Dili Komprimisu*, a public declaration that acknowledges the importance of gender equality.

¹⁹⁹ SEPI: Secretary of State for the Promotion of Equality of Timor-Leste, with Gender Focal Points (GFPs) in all ministries and at regional levels. See SEPI <http://sepi.gov.tl/home>

²⁰⁰ Concerns have been raised as to whether this institutional gender framework has the requisite mandate, funding, capacity, political clout and leadership to drive and sustain gender mainstreaming. Evaluation meetings reported a need for more human and financial resources, capacity-building on sector-specific gender analysis, gender-responsive budgeting, and monitoring and gender mainstreaming in the various ministries - evaluation meetings with the Secretary of State for the Promotion of Equality (SEPI) responsible for promoting gender equality; and with MSS, the Ministry of Social Solidarity responsible for the protection of the rights of vulnerable groups. Women's organisations in evaluation meetings reported that sustained gender mainstreaming in all ministries and at regional levels is still a major challenge in view of critical gender gaps and resistance to change.

²⁰¹ 39% in 2014 - the highest percentage of women parliamentarians amongst ACP countries in the Pacific region and one of the highest rates in the world. <http://data.worldbank.org/indicator/SG.GEN.PARL.ZS>. This achievement is to a considerable extent attributed to campaigns of Civil Society Organisations.

²⁰² Gender Equality in Timor-Leste, http://www.wikigender.org/index.php/Gender_Equality_in_Timor-Leste

pervasive problems is violence against women²⁰³ - a powerful indicator that gender inequalities are deeply entrenched²⁰⁴ and that long term gender strategies are required for effective change²⁰⁵.

A contribution analysis on gender equality in Timor-Leste identified instances of 'outcome' and an effort was made to attribute major outcomes to the contributions of key actors²⁰⁶. It is concluded that:

- EU supported a limited number of civil society projects with a focus on gender equality that have positively contributed to Timor-Leste's achievements in the area of gender equality²⁰⁷,
- EU support contributed to some of the key areas of concern²⁰⁸, but in a fragmented way
- EU supported some of the key women's organisations and their networks²⁰⁹, but in a fragmented way and not as part of a strategic needs assessment
- ROM reports give a mixed picture. Gender is not mainstreamed in (non-gender specific) EU interventions. A gender perspective is generally not integrated in EU supported projects²¹⁰,
- EU does not have a monitoring mechanism with indicators allowing for monitoring gender related change on the ground.

Overall, the evaluation concludes that, in spite of policy frameworks emphasizing the centrality of gender equality, due to a combination of lack of specific gender capacity and lack of commitment, EU support to gender equality in Timor-Leste is limited. Support to gender equality is insufficiently embedded in EU interventions as an overarching cross-cutting concern in all EU co-operation with Timor-Leste:

- Policy Dialogue: Women's organisations have hardly been involved in policy dialogue,
- Gender mainstreaming: a gender equality approach is not mainstreamed in EU co-operation efforts in Timor-Leste.
- Specific actions: EU support to specific projects has led to positive but fragmented and often not sustainable contributions to Timor-Leste's achievements in the area of gender equality and women's empowerment.

EU visibility as a development partner promoting gender equality is limited. Yet, in general, key Civil Society representatives perceive EU as a development partner promoting gender equality. This appears to be more related to the overall profile of the EU than to visibility of specific EU interventions effectively contributing to gender equality on the ground.²¹¹ CSO representatives recommend that EU strengthen its support to gender mainstreaming in Timor-Leste²¹², and SEPI and MSS would welcome EU support.

²⁰³ See UNFPA: Gender Based Violence in Timor-Leste, A Case Study, 2005. Study prepared by PRADET. See also Asia Pacific Support Collective Timor-Leste (APSCTL): Baseline Study on Sexual and Gender-Based Violence Study in Covalima and Bobonaro, 2009.

²⁰⁴ In 2010, the Law Against Domestic Violence was enacted, following changes to the penal code making domestic violence a punishable public crime. This was seen as a landmark victory that can be attributed partly to the efforts of CSOs - including those supported by EU. However, right from the beginning there was evidence that a legal framework is not sufficient and that effective change requires a wide array of strategic interventions. Courts were backlogged, punishments not deterring domestic violence, and women did not have the economic independence often needed to stand up against violence. See a.o. S.Boulet, AEDT <http://www.abc.net.au/news/2013-11-08/domestic-abuse-in-east-timor/5024198>. See also the paragraph on UNSCR 1325.

²⁰⁵ Timor-Leste National Action Plan on Gender-based Violence (2012-2015); The Law Against Domestic Violence: Obstacles implementation three years on. Judicial System Monitoring Programme, 2014, web-based publication.

²⁰⁶ GoTL, Civil Society actors, development partners and EU. The evaluation mission included approximately 20 meetings with key actors on gender equality: meetings with 14 women/gender organisations, one network of women's organisations and several representatives of national women's institutions (SEPI, MSS)

²⁰⁷ EU supports at least 4 civil society projects with a focus on gender equality and/or a gender equality perspective integrated in the project: 149535 Marie Stopes International; 200285 Catholic Institute for International Relations /CIIR / w. Rede Feto; 253057 Ba Futuru; 306933 Triangle; 284404 Search f. Common Ground. Few other projects include partnerships with women's organisations and address gender equality concerns. For the Women-Peace-Security Agenda see paragraph JC8.3. A successful example of a civil society project addressing women's empowerment at grassroots level is the Ba Futuru project – see JC8.3.

²⁰⁸ Women's rights; women's empowerment; Sexual and reproductive health and rights (SRHR); ending Violence against Women (EVAW) and protection strategies; Peacebuilding; access to Justice; women's economic empowerment; leadership training

²⁰⁹ Rede Feto, Timor-Leste's umbrella organisation of women's organisations, was indirectly supported. Two women's organisations reported that they perceive the funding instrument of Call for Proposals as an instrument likely to lead to competition rather than partnership. Communication, women's organization Ba Futuru, July 2014; and Stakeholders Perceptions Survey, Volume II annex 13.

²¹⁰ One of the outcomes of ROM in 2013; Internal report EU Delegation, 2013

²¹¹ Stakeholders' Perceptions' Survey, response from Civil Society Stakeholders. See Annex; and interviews with civil society representatives (EU partners and non-partners).

²¹² Interviews with civil society representatives and stakeholders Perceptions' Survey, response from Civil Society Stakeholders. See Annex 13

4.7 EQ7 STATE-BUILDING AND GOVERNANCE

To what extent has the EU Co-operation contributed to durable changes in State-building, good governance and democracy in Timor-Leste?

Summary Response Box EQ7

The EU has contributed to some extent to sustainable State-building and democracy at central level although the outcomes were realised through isolated projects. However, a coherent approach (both conceptually and in practice) to supporting State-building and governance in a more strategic and integrated manner at different societal levels, and to linking this with the sectoral level, was not developed.

As a result the EU's approach became very State-centred with little attention paid to strengthening strategic mechanisms in support of promoting democracy, transparency and accountability of the State to its citizens. Attention to linking reform at central state level to lower levels of government (deconcentration and decentralisation) was equally absent. Investments in the NAO office, in support of a more efficient management of EU funding and more effective support to poverty reduction and state-building, have resulted in sub-optimal achievements in view of the high project costs.

Political and policy dialogue in support of macro-level State-building reforms and human rights issues were largely absent until 2013.

Over the period 2006-2013²¹³ the EU provided around €44 M, equal to 39% of the entire support, to State-building and governance (see table 5). The EU programmed €6.5 M of support for institutional capacity-building for the NAO office (Nov. 2007 to April 2014 – approximately one-third of the support for 'capacity-building' in Table 5) and €3 M for the Technical Co-operation Facility (Nov. 2008 to March 2015 – nearly 50% of the support for 'technical assistance' in Table 5). Together these €9.5 M constitute nearly 22% of the entire support allocated to State-building and governance.²¹⁴

Table 5: EuropeAid support to State-building and governance, 2006-2013, €M

	EDF 10	EDF 9	Other	Total	
				Committed	% on tot
Capacity-building	12,4	5,8		18,3	16%
Civilian peace-building			9,9	9,9	9%
Democratic participation	2,5	1,5	6,2	10,1	9%
Technical assistance	5,8			5,8	5%
SUB TOTAL STATE-BUILDING	20,7	7,3	16,0	44,0	39%
TOTAL INVENTORY (all contracts)	55,6	18,1	38,4	112,1	100%

Source: Data from Datawarehouse

JC7.1 The EU has contributed to building capacities of the central institutions of the government state administration

The EU's approach to supporting the building-up of central State institutions did not follow a particular strategy and overall led to fragmented results. Coordination of the support was limited, largely informed by priorities set by other international development partners, and it did not link up with institutional reforms at sector level. On the other hand, the EU's support for PFM – in coordination with other development partners – delivered positive results overall. Specific support in relation to fighting corruption was not provided.

With the support of the international community, including the EU, important progress on State-building was achieved, according to the 2010 OECD country report on Timor-Leste. The 2010 World Bank evaluation recognises that – when compared to the vacuum of 1999 – gradual and important progress in building Timor-Leste's capacity as a State was made by 2010 (see also Box below). However, more critically it also notes that: "... *Timor-Leste still faces major governance*

²¹³ The evaluation period is for 2008-2013 but should take into account the period 2006-2007 which explains why the evaluation team highlights the sums invested into this area for the full period. Considerable amounts of 9th EDF funding was used for state-building until 2010. For projects, the focus will be on investments made during the period 2008-2013.

²¹⁴ The evaluation team counts this support to the NAO office as capacity development for state-building institutions in view of the overall objectives of this support: "The ... EC support is to reinforce institutional capacities in order to contribute to the Government's efforts against poverty". Source: Action Fiche, Institutional Capacity-building – Support to NAO 10th EDF, Decision 021-443 (2010-2014)

*challenges. Institutional capacity is uneven across ministries, and remains weak in many of them. ... The human skills base is still very low and the government remains highly dependent on advisors*²¹⁵ According to the World Bank evaluation, an audit by the European Commission of the PFMCB project came to a similar conclusion and concluded that the presence of many highly qualified advisors (about 40 long-term consultants in the field at the time of its mission) appears to have led to a situation of “advisor saturation”, actually “inhibiting capacity-building” more than supporting it.²¹⁶

Interviews conducted for this evaluation and monitoring reports confirm that these findings largely hold true today, although further advances were noted in the areas supported by the EU.²¹⁷ PFM reform has progressed in the MoF to such a level of professional performance that the EU (following the example of Australia) decided in 2013 to change its support to direct budget assistance, starting in 2014.²¹⁸ Government ownership of this reform is high which allows the EU to feed into the reform process of the Ministry of Finance more effectively, although the Ministry’s mechanisms for engaging with sector ministries are weak which makes it difficult to create synergies for reform. For example, interviews with officials from the Ministry of Agriculture revealed limited readiness and awareness on how the development of the sector could be further advanced through more structured and coordinated policy dialogue with development partners in combination of pooled funding and/or SBS.²¹⁹

Progress on fiscal and public financial management

“Timor-Leste has made very significant progress in setting up a system of fiscal and public financial management. The stable macroeconomic environment and the improved budget execution in recent years are evidence of this progress. The basic institutions for fiscal and public financial management have been set up and are functioning. Fiscal policy in general and expenditure policy in particular are now planned and with increasing focus on public service delivery. These policies are better grounded, using more reliable estimates of the macroeconomic aggregates and the needs of the population.”

Source: World Bank – Independent Evaluation Group. 2011. Timor-Leste country Programme Evaluation, 2000-2010, p. XVII

Capacity development was also recorded in relation to specific projects in the domain of Criminal Investigation (Ministry of Justice), and within the Secretary of State of Media and the Parliament (as discussed under JC 7.3). However, progress was slow due to the long time needed by Government and Parliament to resolve institutional design questions and formulate and ratify the laws essential to advancing the reform. This is congruent with the findings of an independent evaluation of the AusAID-financed Justice Sector Support Facility. It notes that capacities were strengthened through various institutional capacity-building endeavours, but found that accomplishments should be seen as “foundational building blocks” on which, at some future date, improvements in service delivery could potentially be built.²²⁰

The EU’s approach in support of building central State institutions did not follow a particular strategy and was largely informed by the priorities set by other international development partners. As a result the EU partially financed UNDP’s support for the Parliament, the World Bank’s support to the Ministry of Finance (until end of 2013), and CICL support to the Ministry of Justice and the Secretary of State of Media. These three projects all have some value in relation to State-building but they were not designed in a strategic or integrated manner, nor were attempts made to establish linkages between them. In essence, therefore, the EU functioned as a mere financier of a package of disconnected projects for different government institutions.²²¹

²¹⁵ World Bank – Independent Evaluation Group. 2011. Timor-Leste Country Program Evaluation, 2000-2010, p. 57

²¹⁶ World Bank – Independent Evaluation Group. 2011. Timor-Leste Country Program Evaluation, 2000-2010, p. 144 – the source for the EC audit was not disclosed in the document

²¹⁷ Interviews conducted with Government officials in key ministries, development agency representatives and technical assistants (March and July 2014) and consultation of ROMs for EU support to Ministry of Finance/PFM, Justice Sector and Security Sector.

²¹⁸ Interviews in Brussel and Dili (February, March and July 2014); BS assessment mission report (internal document, July 2013)

²¹⁹ Interviews with policy makers and technical staff at the Ministry of Agriculture (July 2014)

²²⁰ AusAID. 2012. Independent Evaluation of the East Timor Justice Sector Support Facility, p. 6

²²¹ Review of Result Oriented Monitoring reports, EU Co-operation evaluation reports and interviews with donors and project staff in Dili (July 2014)

In Nov. 2008, the EU took a decision to add an amount of €18 M in support of governance development to the 10th EDF. An EU internal assessment of the country's governance situation and its commitments to governance was undertaken in 2008.²²² The funds were then allocated across different focal sectors without further in-depth investigation of how to spend them more strategically on governance-related interventions.²²³ A monitoring report broadly checked whether the Government followed up on its commitments to promote governance in Timor-Leste, described the status quo in different governance areas and concluded: *“As a new country in this Millennium ..., more time and support are needed to help the country improve its capacity for good governance and to reinforce the institutions of democracy.”*²²⁴ There is no evidence of any discussions or preparations leading to the formulation of a more targeted State-building and governance strategy. Moreover, no reviews were undertaken by the EU to identify which central government institutions would best benefit from the EU's support or whether institutional support might be needed beyond central level.

Concerning corruption, no particular activities were deployed by the EU to assist in combating a perceived increase in corruption though it has been on the agenda of the political dialogue between the EU and the Government of Timor-Leste. An integrity survey of public servants conducted by the Timorese Anti-Corruption Commission in 2013 showed a gradual increase in the misuse of public funding but concluded that the level of corruption is still comparatively low as compared to neighbouring countries. It concluded, however, that more needs to be done to strengthen prevention, reduce temptation, improve tendering processes and to raise awareness about appropriate conduct.²²⁵

JC7.2 Support to the NAO office has helped to make the EU support to State-building more effective

The NAO office has been built up from scratch as from 2008, with considerable EU support; but after more than six years of operation, its capacity is mixed and still far from making EU support to State-building more effective. The move of the NAO from the Ministry of Finance to the Ministry of Foreign Affairs helped improve relationships and visibility but there are clear indications that the NAO office's human and operational capacities suffered, suggesting that considerable investments in building up NAO capacity were lost.

The NAO office was under the Ministry of Finance until 2013. Government commitment to working with the EU was high and capable national staff (albeit insufficient in number) were placed within the NAO to build up the co-operation.²²⁶ A gradual growth in capacity has been confirmed by various EU monitoring reports, which suggested growing effectiveness and efficiency in NAO capacity-building between 2007 and 2012 (although sustainability was noted as a problem), and through the 2012 mid-term evaluation of the EU's support to the NAO system.²²⁷

Over the years, Government officials perceived the functioning of the EU Co-operation through the NAO office as cumbersome in terms of rules and procedures and of serving the needs of the Government much less quickly than was the case in the years prior to 2006 (when the Co-operation was funded from outside the EDF).²²⁸ A relative disinvolvement by the Minister of Finance from the work of the EU was noted. Steps taken on political dialogue also did not progress well,

²²² Internal documents shared by EUD with evaluation team, 25 August 2014

²²³ This practice was not restricted to the EU co-operation with Timor-Leste. The use of the Governance Incentive (GI) scheme throughout EU co-operation has been assessed by the Commission and the conclusion reached that the GI had little influence because of a variety of reasons, among which insufficient alignment between the GI and already existing governance process and plans in a given country was a frequent problem. (EC. Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the EU support for democratic governance, with a focus on the governance incentive. 11 June 2013)

²²⁴ Democratic Republic of Timor-Leste, Ministry of Finance. 2009. The Institutional Capacity-building Program for the Government of Timor-Leste. Draft Report on the Progress of the Timor-Leste Government's 'Governance Commitment'

²²⁵ Anti-Corruption Commission. 2013. Integrity Survey of Public Servants. Dili, Timor-Leste and discussions with lead consultant conducting the survey (Dili, March, 2014)

²²⁶ Interviews conducted with Ministry of Finance officials and EU Delegation staff (March and July 2014)

²²⁷ ECORYS. 2012. Mid-Term Evaluation of the Institutional Capacity-building of the NAO System in Timor-Leste

²²⁸ Comments in this regard were made by high-level staff from the Ministry of Finance (March 2014); confirmed also through comments in Perception Survey, see Annex 13

raising questions among EU officials on the issue of national ownership of co-operation with the EU.²²⁹

An agreement was reached in 2013 between the EU and the Government to transfer the NAO responsibilities to the Minister of Foreign Affairs (MoFA). Government officials working at operational level note that this change has made co-operation within Government more difficult, as the NAO office, now situated within the premises of the MoFA, is in practice cut off from national development planning and coordination mechanisms which are largely steered by the Ministry of Finance. This institutional change also resulted in the relocation of trained NAO staff and in capacity gaps within the new office that have yet to be filled.²³⁰

Up to early 2013, the capacity of the NAO office was still limited and the office could process only a limited amount of the work of the overall EU Co-operation. Close supervision by the EU Delegation was needed in addition to the presence of an international expert working periodically with NAO staff; but capacity did nevertheless grow over the years since the NAO office was set up in 2008.²³¹ However, with the changed location of the NAO office, and inexperienced staff joining the office, capacity has slipped back. The most recent EU monitoring report on support to the NAO, following the change of the NAO office, confirms this trend. It shows reduced ratings on efficiency and effectiveness and calls into question the considerable level of funding invested for building up NAO capacity.

On the positive side, several interviewees mentioned gains in terms of substantially better relationships between the EU Delegation and the NAO and his Deputy. This is indicated by meetings that are more regular and by the more concrete steps taken to prepare and hold the political dialogue meetings (Art. 8) that form part of the EU-ACP Partnership Agreement. The work of the NAO has also become more visible within the Government system through a pro-active outreach to different departments, as interviewees working in Government confirmed.²³² The new NAO highly appreciates the Co-operation as it allows him to put more emphasis on international relations and on under-utilised programme funds such as the financing of regional co-operation or the collaboration with Lusophone countries through the PALOP budget line.²³³

Did the previous support, when the NAO was located under the Ministry of Finance, contribute to the overall institutional capacity of the Government to fight against poverty? The answer is mixed. The NAO office helped to provide resources and expertise to central government institutions but it did this against a high cost of capacity development support and close accompaniment by external expertise. External evaluations assessing Ministry of Finance capacity building,²³⁴ do not mention the EU's support to the NAO, nor the NAO's contribution to any development processes, which suggests that the NAO office had limited relevance in terms of building the Ministry's overall capacities. Documents and interviews also provide limited evidence of the extent to which the EU support for wider State-building through the NAO was successful. The Technical Co-operation Facility has been the source of funding for several international experts (24 contracts for a total committed amount of €2.5 M, accounting for 3% of the total committed amount) to fill operational gaps in some key advisory positions within Central Government.

²²⁹ Interviews with present and former EU staff in Brussels and Dili (February, March and July 2014)

²³⁰ Interviews with NAO staff (March and July 2014)

²³¹ Interviews at EU Delegation (July 2014); see confirmed through the EU's internal monitoring reports

²³² Interviews with Head of Delegation, Deputy NAO and various representatives from international development agencies (July 2014). This is now shaping expectations that support to various Government entities can be provided more effectively, as one interviewee mentioned. It is to be seen whether the NAO can live up to these expectations.

²³³ Interview with the NAO and Minister of Foreign Affairs (3 July 2014)

²³⁴ World Bank – Independent Evaluation Group. 2011. Timor-Leste Country Program Evaluation, 2000-2010; Australian Government/DFAT. 2014. Evaluation of Australian aid to Timor-Leste; Mokoro. 2014. Independent Evaluation of Irish Aid to Timor-Leste (Paper 3)

JC7.3 The EU Co-operation contributed to strengthening mechanisms that help to promote democracy, more effective rule of law, women's empowerment, accountability and transparency of the State towards its citizens

The EU Co-operation did contribute to strengthening mechanisms that help promote democracy, more effective rule of law, transparency, and accountability of the State to its citizens, although the support was highly State-centred. The efficiency and effectiveness of this support could have been better if a more dedicated strategy on how to work in a more comprehensive way in the area of governance and rule of law had been formulated. Opportunities for more effective involvement through policy dialogue in critical governance areas, for instance by bringing together UNDP and Portuguese co-operation (both funded by the EU) for a dialogue with Government about a more strategic involvement on governance, have been missed. There is no evidence that EU co-operation has strengthened the national machinery to support women's empowerment

The legislative elections of 2007 and 2012 were financially supported by the EU and through EU observer missions. 2007 elections were supported through UNDP. Outcomes included the strengthening of the capacity of the National Commission of Elections and the Technical Secretariat for Electoral Administration to fulfil their administrative and supervisory mandates and the amendment of laws and processes to enhance participation and more credible elections; capacities and coordination of the two institutions were improved²³⁵ and during 2012 elections performances of these institutions were enhanced. The elections were internationally judged as credible and fair²³⁶, resulting in government coalitions that helped stabilise the country and advance its development. The ROM for this support attested that the EU support for the elections and for the institutional strengthening of institutions handling the electoral process was overall 'good' and, according to the interviews conducted during the two missions, very well received by stakeholders in Timor-Leste.

The EU's support for the Justice Sector has helped to prepare for the setting up of a Supreme Court of Audit²³⁷ and to build a Criminal Investigation Service (CIS), which is considered very relevant in view of the growth of criminal activities in the country. CIS was identified as one of the focal areas of the Justice Sector Strategic Plan (2010). A genuine demand for this particular assistance arose from within Government based on a joint Government-Portuguese identification mission in 2009 around which support was mobilised.²³⁸ Today, the country has 10 chief investigators, 37 investigators and 31 specialists (including laboratory staff) who can start their work based on the ratified law of April 2014. Critical issues noted were the lack of (strategic) coordination with other donors in support of more harmonised approaches. The project as such helps to put in place relevant mechanisms for establishing the rule of law, but this is one of the areas where Anglosaxon and Portuguese traditions and approaches to building State institutions diverge. Dialogue on how to overcome this dichotomy, a crucial bottleneck to expand the further development and sustainability of the Timorese State, was not undertaken by the EU Delegation.²³⁹

The EU's support for strengthening the capacities of the Parliament has had its share of problems. There is major dissatisfaction with the management of this support through the implementing agency, UNDP, and with the quality of technical assistance provided during the initial part of the project. With the arrival of the new President of the Parliament, the Government took stronger ownership of this support, requested that better experts be fielded and, after a lengthy EU administrative process, had the project redesigned to fit the needs of the Parliament better. Meanwhile the second batch of experts has been well regarded for their solid contribution to

²³⁵ Source: UNDP, communication to the evaluation mission, November 2014

²³⁶ E.g., The Carter Center - Timor-Leste Parliamentary Election Observation 2007, Final Report, www.cartercentre.org; "Timor-Leste holds credible Parliamentary elections", www.iri.org, 8 July 2012

²³⁷ Due to lack of time, the evaluation team could not look into progress made on this project component during the field mission.

²³⁸ Justice Sector Strategic Plan 2011-2030, approved on 12 Feb. 2010, p.18

²³⁹ EU internal monitoring reports for this project and interviews conducted with Government officials, representatives from development agencies, the EU and with technical assistants working in governance projects (March & July 2014)

strengthening the work of the Parliament, but there is no interest from the Parliament's side in receiving further support through UNDP.²⁴⁰

Three interviewees²⁴¹ confirmed independently that over recent years the Parliament has improved overall in its functioning and supervising of the work of Government. Visits are regularly paid to the regions to collect testimonies and evidence of development progress, or lack of it.²⁴² Other evidence is the recent criticism by MPs of the work of the Minister of Finance.²⁴³ Interviewees working in the Parliament judged that the EU's support has contributed to this positive development.

Support for the media, as a mechanism for enhancing transparency and accountability of the State to its citizens, has had mixed results.²⁴⁴ The project is linked to the Ministry of Social Communication and does not provide any form of support through which the media could become an independent societal factor in support of better governance.²⁴⁵ The design of the support provided is very much linked to the State and is highly technical in nature.²⁴⁶ Harmonisation and co-operation with other development agencies active in this field is non-existent. For example, the civil society project on media with the Ministry of Social Communication does not connect with the EU's provision of support to the development of community radio throughout the country.²⁴⁷ The evaluators view the support for these projects as a missed opportunity for creating strengthened mechanisms in support of better transparency and accountability of the State to its citizens and as an example of how a more strategic approach to governance support could have resulted in different outcomes.²⁴⁸

The EU Co-operation did not take the opportunity of working with the Ministry of Agriculture to address issues of sector governance (see EQ 5).

There is no evidence that the EU's support has strengthened any of the key national institutions in support of women's empowerment. Missed opportunities are, for example, training provided to criminal investigators (no inclusion of gender or women's empowerment aspects in training modules); support to Parliament (no specific support to the Caucus in support of Women Parliamentarians)²⁴⁹; support to the media, which included no specific gender dimension (e.g. training on media and women's empowerment)²⁵⁰. The national institutional framework for gender equality and women's empowerment SEPI is not supported by the EU.²⁵¹

²⁴⁰ This emerges from the internal monitoring reports and from interviews conducted with independent experts, technical assistants and with representatives of development agencies (March and July 2014).

²⁴¹ Senior Timor-Leste officials, Dili, July 2014

²⁴² Interviews with technical experts working at the Parliament in Dili (9 July 2014), at the Ministry of Health (11 July 2014) and government official from the Ministry of Agriculture working in Bobonaro (8 July 2014)

²⁴³ The Daily Newspaper – Independents reported on 2 July 2014 (page 1): "The members of national parliament asked Prime Minister, Xanana Gusmao to replace the Finance Minister, Emilia Pires from her position because she was more focused on international affairs than set the priority to her jobs in the country."

²⁴⁴ The project also provides support to the formulation of a media law to guarantee the development and functioning of an independent media sector. At the time of the evaluation mission, the media law was under public dispute as the Parliament (after initial technical support provided by the project) took the lead in finalising the text and included elements that restricted the role of the independent media – a process for which the project can't be blamed).

²⁴⁵ Mentioned was the need for limited core support to the media, which would allow them to work more independently as journalists without depending on paid work, only (the core support to Thai media by Sweden was referred to as an approach missing in Timor-Leste). Also, learning components and peer exchange to deepen knowledge about the role of an independent but constructive media in shaping society, and to discuss issues which should be brought more into the open (such as gender issues).

²⁴⁶ Interviews with journalists and project staff (7 and 10 July 2014)

²⁴⁷ The project is implemented through the NGO Search for Common Ground. Its implementation, focusing on strengthening democracy and awareness raising about issues of public interest among the rural population, is rated overall as good (also through the EU's internal monitoring reports).

²⁴⁸ Meetings with development agencies working on governance (11 March, 4 and 9 July 2014); consultation of media support project documents

²⁴⁹ Communication by staff of national NGO Caucus; according to the EU Delegation, gender support to Parliament was planned in the original design but was removed at UNDP request as Ireland was to provide support specifically targeting gender issues; with the departure of Ireland from Timor-Leste, questions remain about follow-up and whether the EU support can, or will, fill the vacuum left behind

²⁵⁰ However, the DAME project mentioned above targets, besides youth leaders, NGO staff, Local Authorities, and media professionals, vulnerable girls, and has a gender perspective integrated. See project document, page 6. The ROM report (2013) mentions that gender issues have been adequately mainstreamed in project design..

²⁵¹ Communication with representatives of SEPI (Dili, July 2014)

JC7.4 The EU has contributed to strengthening national capacities which are instrumental in helping with diversification of the economy and in supporting changes on the ground.

Except for the roads sector, there is little evidence that the EU's support has contributed to strengthening the State's capacities in support of diversification of the economy and of changes on the ground such as national mechanisms to assist with job creation or stimulation of market functions. There is no information on efforts to engage more substantially in this domain, or to promote policy dialogue.

Projects helping to strengthen national capacities in this domain were: (i) support to the Ministry of Tourism, Industry and Trade (MoTIT) through the institutional capacity-building programme that provided support to the NAO office and to the MoTIT; (ii) the support for a community-based tourism project²⁵²; (iii) projects in the roads sector (see EQ 5); and (iv) support for activities in agriculture (see EQ 5). The logic of these projects was driven by the aim of building national capacity (State as well as societal) for the creation of a non-oil economy but were not followed up systematically or translated into a more targeted national capacity-building approach in support of diversification of the economy, including mechanisms supporting job-creation or stimulation of market functions. The 10th EDF CSP/NIP already puts very little emphasis on supporting diversification of the economy despite the fact that the analysis in that CSP did recognise the need for building a non-oil economy if the country was to survive. The evaluators could not find any evidence of policy dialogue with Government on this topic, nor any information on teaming up with other development partners in support of such capacities that could help with diversification of the economy.

Some evidence on the strengthening of national capacities geared to diversification of the economy was found in relation to implementation of TIM-Works (support for rural road construction)²⁵³ and the capacity-building for agricultural district officials (see EQ 5). The internal monitoring report on the EU support for community tourism is overall 'good', including positive marks for the sustainability of the support provided. However, it was a small project, not contributing substantially to wider national capacity development in this sector. The agricultural sector is relevant to diversifying the economy but very little was done to link it to development of market mechanisms in support of stimulating job creation. Vocational training in the domain of agriculture is provided in the context of an EU-supported project executed by GIZ, but more intense involvement on vocational training in other areas or sectors of the economy, or in supporting formulation of a national vocational training strategy and linking it to the education sector, is absent (see judgement under EQ 5).

JC7.5 EU political and policy dialogue with the Government supported macro-level State-building reforms and human rights issues

Political dialogue with the Government in support of macro-level State reforms and human rights has been rare. Formal Art. 8 dialogue started to get momentum only in October 2014 (after an initiation dialogue in February 2013) and there is only anecdotal evidence on informal political and policy dialogue. Efforts to set up a regular policy dialogue mechanism for discussing sector reform were mostly unsuccessful during the evaluation period, although more positive developments can be recorded in the public finance sector.

Formal political dialogue based on Art. 8 of the Cotonou Agreement is rather new to the co-operation between the EU and the Government. While the first political dialogue had been planned already for mid-2010, it never materialised. A reason cited by government officials and (former) EU staff was the limited working relationship between the EU Delegation and the Ministry of Finance at

²⁵² This is a small project (approx. EUR 470,000) executed between 2010 to 2014. One of the objectives was to show at wider national level how community based tourism can contribute to poverty reduction.

²⁵³ TIM Works. 2012. Timor-Leste Investment Budget Execution Support for Rural Infrastructure Development and Employment Generation. Final Evaluation, p. 2-3; see also judgments on EQ 5 and in Mokoro, 2014, Independent Evaluation of Irish Aid to Timor-Leste (Paper 3)

that time.²⁵⁴ An initial meeting to introduce the Art. 8 dialogue took place in February 2013.²⁵⁵ The conclusions of the political dialogue (Art. 8) meeting in October 2014, indicate that both sides agree on a number of sensitive issues to be tabled, including human rights.²⁵⁶ There is no evidence that any of the exchanges in relation to this political dialogue have yet resulted in a particular outcome for State-building reforms or human rights, though the Oct. 2014 political dialogue (and its preparation) were seen as important steps in the direction of a mature partnership. Agreement was reached to address a range of political and development-related issues to be implemented. These will be monitored during the follow-up political dialogue in 2015.

On the other hand formal policy dialogue between Government and development partners does occur in other different institutional settings and (sectoral) working group arrangements. Examples include the annual Timor-Leste Development Partner Meeting (TLDPM) or sector working group meetings such as those on nutrition or agriculture. The EU joins these meetings and contributes to their proceedings. Evidence that these meetings contribute to macro-level State-building reform have so far been thin²⁵⁷, and evidence that this contributes to addressing human rights issues could not be found. The TLDPMs take place sporadically, with long intervals between them, and have been described by various development partners, including EU staff, as rather ineffective and as not providing opportunities for in-depth exchanges and dialogue on concrete policy issues.²⁵⁸

Regular dialogue between the previous NAO and the EU Delegation was challenging, as stated above, and also owing to the regular absence of the Minister for g7+ work abroad and the Minister's delegation of most contacts with the EU Delegation to the then Deputy NAO (who was working in parallel as Director Customs Office as of 2010). Exchanges have now substantially improved following the move of the NAO to the Ministry of Foreign Affairs (see also JC 7.2). Informal political and policy dialogue between the EU and the Government has taken place at various moments although there is scant evidence that this has significantly supported macro-level State-building reform.²⁵⁹ Informal policy dialogue has further taken place, and continues to take place on a regular basis, between the EU Delegation's senior staff and Timorese Government officials. This dialogue has been described as useful by both sides but there is no evidence, except for some anecdotal information²⁶⁰, that this has contributed to significant reform at macro-level.

²⁵⁴ In the words of Timor-Leste Government officials, this was due to a disappointment on the side of Government about the limited understanding which the EU displayed about the pace at which change and development could take place in this fragile environment. Engagement in a political dialogue in the period 2010-2012 would have come too early for the Government which was still in a process of 'getting its basics' into place. Interviews with Government officials and (former) EU staff (February; March and July 2014).

²⁵⁵ A first full-scale Art. 8 dialogue will take place in November 2014. The agenda currently under discussion comprises a number of issues which are seen as relevant for the wider development of the country and macro-level state-building.

²⁵⁶ European Union-Democratic Republic of Timor-Leste. Joint Conclusions Second Enhanced Political Dialogue, Brussels, 16 Oct. 2014

²⁵⁷ Since early 2014, however, the EU is invited together with Australia and the World Bank for the Ministry of Finance's internal Consultative Council for Financial Management (CCFM) meetings, which take place twice a month. At this level, strategic issues pertaining to wider macro-level state-building are discussed.

²⁵⁸ Various interviews conducted during the inception mission (March 2014) and the principal mission (July 2014) with representatives of development agencies and staff of the EU Delegation. Though there was a new momentum in the preparation of the TLDPM 2014 (July 2014) which representatives of development partners judged as constructive and encouraging (July 2014)

²⁵⁹ During visits to Timor-Leste of Mr. Barroso, mid-2007, and of Mr. Meganck (EuropeAid) and representatives of EEAS in mid-2013. Briefing papers produced for these meetings show that wider country-relevant development issues, including human rights, were addressed during these visits.

²⁶⁰ On migration-related issues – interview with Carlos Rey, former HoD, 17 Feb. 2014

4.8 EQ8 EU AND CIVIL SOCIETY ORGANISATIONS

To what extent has the EU Co-operation managed to provide strategic support to Civil Society, mainstreaming Civil Society as a key development partner, effectively contributing to co-operation outcomes?

Summary Response Box EQ8

EU Co-operation has provided considerable assistance to Civil Society in Timor-Leste. 23 % of EU financial support was directed to supporting Civil Society. The extent of these efforts, their scope and contributions to co-operation goals appear constrained, inter alia by lack of a robust strategy.

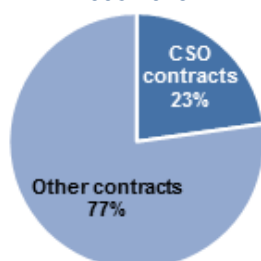
EU support to Civil Society as a key partner in policy dialogue, accountability, human rights and the “women, peace and security agenda” is relevant but limited in scope and fragmented. Support to the social services sector is fragmented and lacks policy dialogue with responsible Ministries.

Civil Society support does not go beyond relevant but disjointed project interventions. The EC has not yet managed to develop a clear and consistent strategy on how to partner with Civil Society in line with its stated policy objectives. The EU is constrained by the limits of its capacities in managing thematic budget lines and the partnership with Civil Society is not prioritized.

Civil Society Organisations perceive the EU as a valuable partner, but expect a more prominent role in policy dialogue - ‘genuine’ strategic partnership rather than exclusively financial support. CSOs perceive EU’s bureaucratic procedures as an obstacle to co-operation with the EU

EU support to the Civil Society Organisations in Timor-Leste during the evaluation period (2008-2013) amounts to a total of €18.7 M accounting for 23% of the total committed amount (figure 14). The financial assistance to CSO was channelled through several financing instruments, (table 6) through the project aid modality

Figure 14: EC committed amount to Civil Society sector in Timor-Leste 2008-2013



Source: Datawarehouse and own elaboration

Table 6: EC committed amount to CSO in Timor-Leste²⁶¹ 2006-2013, M€

Financing instrumen	2008-2013	206- 007	TOTAL 2006-2013
ASIE		0,2	0,2
DCI-FOOD ²⁶²	4,6	5,3	9,9
DCI-NSAPVD ²⁶³	5,5		5,5
EDF ²⁶⁴	7,4		7,4
IFS ²⁶⁵	1,2		1,2
TOTAL CSO	18,7	5,5	24,3
TOTAL EC commitments to TL	82,2	29,9	112,1

JC8.1 EU gave strategic support to Civil Society, mainstreaming Civil Society as a key development partner

Civil Society was an important implementing partner for EU co-operation and 23% of financial assistance (total of €18.7 M, 24 contracts²⁶⁶) was contracted to CSOs and NSAs during the period 2008-2013. However these had a role mainly as project implementers; The EU did not manage to build a strategic partnership geared to promoting changes toward co-operation goals and did not manage to work with civil society and include civil society

²⁶¹ A total of 26 contracts were signed with Civil Society actors and 4 contracts in the previous period 2006-2007. During the period 2008-2013, € 7.3 M (39% of the total committed amount) are financed through the FED, € 5.5 M through the DCI-NSAPVD (30%) and € 4.6 M (25%) through DCI-FOOD. The sectors covered through the CSO assistance are: civilian peacebuilding, conflict prevention and resolution, human rights, food security, democratic participation and civil society, water and sanitation.

²⁶² Development Co-operation Instrument – Food security thematic programme

²⁶³ DCI - Non-state actors and local authorities in development thematic programme

²⁶⁴ European Development Fund

²⁶⁵ Instrument for Stability

²⁶⁶ Please note: this figure is not including the UN WOMEN, UNDP and EU Joint Programme on Women, Peace and Security: Enhancing Women’s Participation in Peacebuilding and Post-Conflict Planning in Liberia, Timor-Leste, and Kosovo (UNSCR 1244), December 2011 – December 2013 (extended). EC contribution: EUR 1,500,000. Locations: Liberia, Timor-Leste, Kosovo (under UNSCR 1244/99) and Global.

actors an coherent and strategic manner throughout the different facets of the EU co-operation

Although internal documents refer to an “implicit strategy”²⁶⁷ to support Non State Actors, EU Co-operation did not articulate a comprehensive strategy addressing Civil Society.²⁶⁸ The EU did not develop the instruments and mechanisms to engage in an effective dialogue to build a real partnership (including a roadmap²⁶⁹, consultation mechanisms, sector level platforms to discuss sector needs and policy developments, coordinated planning with NAO on Civil Society support²⁷⁰ and linkages to dialogue with institutions and civil society).

Financial assistance derives mainly from projects financed through thematic budget lines (NSA/SA, IfS).²⁷¹ Project level analysis provides evidence of mixed outcomes in terms of supporting civil society and interviews with some 29 CSOs²⁷², project visits and analysis of documents indicate that EU Civil Society projects delivered good results.²⁷³ However, as discussed in JC 4.2, the prevalent use of thematic budget lines, not backed by strategy, dialogue and other mechanisms of support, contributed to the fragmentation of interventions.

Civil Society actors, while understanding the underlying rationale for thematic budget lines and appreciating the financial assistance flowing through these, identify the limitation of the Call for Proposal mechanism, as they restrict EU support to incidental, one-time, short-term funding, not embedded in a long term strategy, thus considerably limiting the EU’s capacity to strengthen Civil Society in Timor-Leste.

Exchanges with Civil Society included some consultations,²⁷⁴ information sessions related to CfPs and informal bilateral meetings for advice and information, granted on request. Contrary to its stated policy objectives the EU Delegation does not engage in regular dialogue with Non-State Actors²⁷⁵ and strategic support is limited. Although some documents are submitted to Civil Society actors for comments, Civil Society is not engaged as a partner in critical aspects of EU Co-operation, neither in strategy development (very light consultation both for 2008 – 2013 CSP and for the ongoing 10th EDF strategy) nor in learning mechanisms (Civil Society has not been involved in the design and assessment of this country Evaluation).

The current law on registration of CSOs is weak and discriminative.²⁷⁶ The EU Delegation has jointly with FONGTIL and other CSOs, advocated for improvement of the registration framework.²⁷⁷ EU capacities to establish Civil Society as a key development partner have been limited also to a large extent due to the heavy workload at the EU Delegation.

Involvement with Civil Society and the efficiency and effectiveness of the support provided was also impaired by heavy procedures²⁷⁸. Moreover, local Civil Society Organisations perceive the

²⁶⁷ See: Action fiche for Timor-Leste - Decision 22179, and Identification fiche for Project Approach – support to NSAs 2010.

²⁶⁸ Internal document EU Delegation.

²⁶⁹ There is no “Road Map on Civil Society support” (EU Delegation staff, May 2014, 30 June 2014). The Road Map is a requirement under the Communication “The roots of democracy” after the Council decision 2012. EU carried out an NSA mapping in 2009 but there was no systematic follow-up. EU, internal document: Identification of 10th EDF – Timor-Leste Non Focal Sector – Non State Actors, Draft Report, June 2009.

²⁷⁰ Informal bilateral meetings are now suspended as responsible staff left and NAO cancelled the position in charge of CSO.

²⁷¹ EU Delegation perceives thematic budget lines as a burden, in view of the relative workload, strict internal procedures and insufficient flexibility, e.g., merging consecutive CfP’s into 1 CfP. Interviews with EU Delegation staff 30 June 2014

²⁷² This evaluation mission visited (representatives of) 29 Civil Society Organisations, including umbrella organisation FONGTIL (450 member organisations) and Rede Feto (18 women’s organisations). 3 Focus Group Discussions were held (see Annex 9), a Perception Survey was organised and an assessment of literature was carried out on Civil Society in Timor-Leste (see annex 13).

²⁷³ Food security projects where co-operation with Civil Society is mainstreamed tend to have relative good results, as compared to projects where co-operation with Civil Society is not mainstreamed. EU Delegation staff: “They are from the communities and for the communities. So, their sustainability is better”. EUD mentions successful Civil Society projects that would qualify for replication on a wider scale – EU Delegation staff, 1 July, 2014. ROMs tend to assess implementing CSOs as “having good capacity”.

²⁷⁴ Internal document EU Delegation. “For the preparation of the 11th EDF there has been one coordination meeting with CSO. Communication, EU Delegation staff.

²⁷⁵ EUD TL Website: “...With a view to ensuring the relevance and effectiveness of (...) aid, the EU Delegation to Timor-Leste is in a regular dialogue with the Non State Actors... More direct dialogue does take place in the framework of the implementation of EC-funded projects in which NSAs are being used as service providers. (...) NSAs are also invited to comment on important draft documents prepared by the EU Delegation in Timor-Leste.”

²⁷⁶ Feedback by various CSOs. Frequent additional administrative requirements are denounced by CSOs as difficult to meet, in particular for rural CSOs.

²⁷⁷ In 2011, EUD with FONGTIL, other CSOs and development partners wrote a letter to the Minister of Justice. Until today registration is a matter of concern. Internal Communication, EUD.

contracting procedures as discriminatory and favouring international NGOs²⁷⁹, thus limiting capacity of EU support to strengthen the local fabric of civil society actors.

The perception survey indicates that Civil Society Organisations maintain an overall positive perception of EU as a valuable partner, but they expect more than project level financial support, including long-term strengthening of civil society actors, involvement in dialogue with a prominent role in policy dialogue²⁸⁰ and contributions to sector development.

JC8.2 The EU co-operation supported the strengthening of capacities of NGOs and Civil Society Organisations to become more effective in gender support, human rights, advocacy, policy dialogue, promoting transparency and state accountability

Over the evaluation period, the EU supported 14 Civil Society projects strengthening capacities of CSOs in the field of human rights, gender, transparency and state accountability. While each of these projects was relevant, the scope of the interventions is limited and not backed by a strategy.

Capacity-building: Strengthening Capacities of Non-State Actors has been a cross-cutting feature of EU Timor-Leste Civil Society support, with emphasis on capacity-building of umbrella organisations rather than individual CSOs.²⁸¹ While such interventions are definitely relevant, the incidental character of this support negatively affects sustainability and impact.²⁸²

Policy dialogue, transparency, oversight and strengthening accountability: The EU supported at least five Civil Society projects related to policy dialogue, transparency and strengthening accountability²⁸³. Such interventions are highly relevant in the context of Timor-Leste.²⁸⁴ The evaluation mission visited eight key actors engaged in policy dialogue and playing a 'watchdog role'²⁸⁵. Critical Civil Society representatives appreciate the role EU has incidentally played in policy dialogue²⁸⁶, but overall, Civil Society leaders perceive the EU contribution in this area as not strong²⁸⁷ and not very visible. EU interventions strengthened a number of CSOs in becoming more effective in policy dialogue and promoting state accountability. With a coherent strategy, such support could definitely have been more effective. Do CSOs promote good governance and transparency in the NGO sector and did EU play a role?²⁸⁸ Internal transparency is a prominent issue in the NGO-sector.²⁸⁹ The EU maintains strict guidelines on transparency but it has not engaged in the discourse.

Timor-Leste does not have a structured dialogue mechanism for inclusive policy making between Government and CSOs at national level²⁹⁰. However, several formal dialogue mechanisms at a

²⁷⁸ Reporting, templates not coordinated with other donors, partial funding, administrative procedures towards disburse of funds, delayed payments.

²⁷⁹ See Annex 13, assessment of CSO Perceptions Survey and communicated by CSOs (Mahein, Ba Futuru, e.a.). Bureaucratic procedures are not only perceived as difficult, they are also perceived as discriminatory, as they provide an imminent advantage to INGOs over NGOs/CSOs. "You have to hire a foreigner to do the incredible administrative bureaucracies".

²⁸⁰ Communication by several CSOs (e.g. Ba Futuru, Luta Hamutuk, La'o Hamutuk) during field visit; communicated during Perceptions Survey, CSO response; and during CSO FGD.

²⁸¹ EU supported several CS projects addressing capacity-building for CSO-networks, including 200285 CIIR/Rede Feto; 200361 CAFOD; 253057 Ba Futuru; 253068 IMVF; 277972 FONGTIL; 284340 IMVF/HASATIL; 284404 Search for Common Ground, 306930 Haburas.

²⁸² For example, replication of successful pilot projects was not possible (Communication, EU Delegation staff).

²⁸³ Including 200285 CIIR with Rede Feto; 200361 CAFOD; 284340 IMVF; 229226 ICTJ; 284404 Search for Common Ground.

²⁸⁴ "Lack of transparency and corruption are pressing issues": Communication, staff, several CSOs. Transparency International characterizes Timor-Leste's transparency (budget openness) as 'minimal'. <http://www.transparency.org/country#TLS>; Timor-Leste ranks 113/174 on the Transparency International Corruption Perceptions Index 2013.

²⁸⁵ Some of them EU partners, while others do not aspire support from EU or their national Government in view of maintaining maximum independence. La'o Hamutuk, Mahein, FONGTIL, Rede Feto, Fokupers, Luta Hamutuk, Search for Common Ground, Belun.

²⁸⁶ E.g., EUD's comments on the Parliamentary Elections. See European Union Election Observation Mission Timor-Leste. Parliamentary Elections, July 2012, Final Report. CS actors refer to this report as capturing more critical issues than other Election Monitoring Reports. Sources: staff, La'o Hamutuk; CS Focus Group Discussion; and mentioned in Stakeholders Perceptions Survey.

²⁸⁷ Communication, CS stakeholders. CSOs' oversight role is relevant in connection to the dialogue on budget support. See EU, The roots of democracy, p 7, and EU Communication "The Future Approach to EU Budget Support to Third Countries", 2011, par. 4.7.

²⁸⁸ Raised in the Focus Group Discussion with CSOs and discussed with FONGTIL, Mahein. "CSOs have more credibility in demanding transparency from GoTL if they themselves operate with full transparency". Communication, staff, Mahein.

²⁸⁹ Key CS actors acknowledge the relevance of a 'code of conduct' for the NGO sector. Good governance is part of the requirements for registration with FONGTIL, and the Government CS fund, see <http://members.pcug.org.au/~wildwood/FONGTILAgm.htm>

²⁹⁰ As designated in EU: The roots of democracy (..), section 4.1

sub-sectoral level appear to be highly effective.²⁹¹ The EU is not involved.

Human Rights and Women's Rights: The EU has a Human Rights Country Strategy for Timor-Leste.²⁹² The EU employs various instruments such as political dialogue, joint monitoring²⁹³ and development interventions with a focus on Human Rights. In EU interventions, Human Rights are addressed both as a thematic and as a cross-cutting issue²⁹⁴. Although the EU supported at least five Civil Society projects in the field of Human Rights,²⁹⁵ these do not feature prominently as a cross-cutting concern in EU interventions²⁹⁶.

Compared to other fragile states Timor-Leste is advanced in Human Rights and it has no major Human Rights issues, but all Human Rights issues are crucial in a fragile State²⁹⁷ in view of the nexus between Human Rights, Women's Rights, Conflict & Peace, and Democratic Governance. The role of NGOs as guardians of Human Rights is irrefutable²⁹⁸. Impunity for gross human rights violations (including gender-based violence) committed during the Indonesian occupation is an unresolved issue and a major factor potentially undermining long-term stability. Civil Society Organisations²⁹⁹ are calling for an end to the culture of impunity as a *sine qua non* for a sustainable foundation for peace, human rights, women's rights and State-building in Timor-Leste.

Essential in view of the conflict transformation agenda is the issue of land rights. The EU supports interventions addressing the land rights issue;³⁰⁰ EU Co-operation however failed to link the land rights issue to the overall strategy with the agricultural sector, missing the opportunity to achieve significant impacts at a broader level.

The evaluation team's field visits included 10 Human Rights organisations (EU partners and non-partners) and 14 organisations engaged in women's rights. Evidence supports the finding that EU interventions in Human Rights and Women's Rights are relevant and supported local-level benefits, but disjointed and lacking overall coherence. EU Co-operation support to Gender Equality and Women's Empowerment is discussed in JC6.2.

JC8.3 The EU supported civil society effectively in the promotion of the agenda on women, peace and security (UN SCR 1325 and 1820) and helped to strengthen processes that contribute to peace and security

The EU, in supporting the UNW/UNDP/EU programme on Women, Peace and Security, has contributed to the '1325 outcome', i.e., to the promotion of the agenda on women, peace and security, and helped to strengthen mechanisms that contribute to gender equality. The support to "1325" was limited in terms of non-financial support, lacking an effort to develop the theme throughout the strategy and establishing linkages and complementarities

²⁹¹ for example, the Parliament's Working Group on Gender Based Violence.

²⁹² Human Rights Country Strategy – Country: Timor-Leste, 2011. Restricted document

²⁹³ Internal communication, EUD.

²⁹⁴ "The Council calls for a rights-based approach to development co-operation and acknowledges the key role of CSOs in promoting human rights (including gender equality)". Council of the European Union, 15.10.2012, Council Conclusions-The roots of Democracy.

²⁹⁵ Including 200285 CIIR/Rede Feto; 200450 Chr. Blinden Mission; 276398, ICTJ; 306930 Haburas; 306933 Triangle. They address women's rights, child rights, protection of women and children victims of violence, people with disabilities, land and housing rights, capacity-building of lawyers. Projects generally have several partners.

²⁹⁶ One of the outcomes of about 10 ROMs in 2013 is that 'Human Rights' is mostly ignored. Internal document EU Delegation.

²⁹⁷ Comprehensive Human Rights reports: See Amnesty International, Annual Report, Timor-Leste, 2012 and 2013; Chega! Final Report of the Commission for Reception, Truth and Reconciliation in East Timor (CAVR). <http://www.etan.org/news/2006/cavr.htm>

²⁹⁸ The national institution of human rights PDHJ, the Provedor for Human Rights and Justice, has played a key role in monitoring Human Rights since 2005, but as it has no presence in the districts and lacks capacity CSOs often fulfil the role of monitoring rights.

²⁹⁹ Impunity for gross human rights violations committed during the Indonesian occupation is an area where Civil Society plays a crucial role in addressing Human Rights and Peacebuilding in the context of the fragile state. See summary of six stakeholders' submissions to the Universal Periodic review (UPR): Human Rights Council Working Group on the Universal Periodic Review, 12th session Geneva, 3–14 October 2011, A/HRC/WG.6/12/TLS/3, Summary prepared by the Office of the High Commissioner for Human Rights: Timor-Leste. Amnesty International: Timor-Leste: Remembering the past – recommendations to effectively establish the "National Reparations Programme" and "Public Memory Institute" (ASA 57/001/2012). Amnesty International: Tackling impunity in Timor-Leste and Indonesia – Justice is the only way. Joint statement by ANTI and Amnesty International. (ASA 57/007/2012). ANTI: the network of 18 local organisations calling for justice, truth and reparations for human rights violations committed during the Indonesian occupation. Gender dimensions of impunity: Susan Harris Rimmer: After the Guns Fall Silent: SGBV in Timor-Leste, TLAVA Issue Brief 5, 2010.

³⁰⁰ Haburas 306930, in collaboration with the Rede Ba Rai consortium. The project started in 2014.

Key stakeholders in Timor-Leste, including Government, Non-State Actors and Development Partners are rolling out an inclusive process to develop a National Action Plan on 'Women, Peace and Security - 1325'.³⁰¹ EU has a global strategy on '1325',³⁰² and also a '1325 strategy' in Timor-Leste.³⁰³

The main EU intervention promoting '1325' in Timor-Leste is the "UNW, UNDP and EU joint programme on Women, Peace and Security: Enhancing Women's Participation in Peace-building and Post-Conflict Planning in Liberia, Timor-Leste, and Kosovo".³⁰⁴ In addition, EU supports several other civil society projects sideways or explicitly related to the "1325 agenda".³⁰⁵ Until 2010, there were no '1325' projects in Timor-Leste³⁰⁶, but in recent years,³⁰⁷ several activities started promoting the 1325 agenda.³⁰⁸ By 2014, "1325" is 'alive' in Timor-Leste, in the sense that:

- A national coordination mechanism is in place involving NSA and SA actors³⁰⁹, and there is co-operation between Local Authorities and NSA at village level³¹⁰,
- The "1325 Agenda" has a broad support base with a range of NSAs engaged,
- Women in selected villages involved in "1325" have a clear perception of what "1325" signifies in their local context³¹¹:
- There is evidence that the "1325 process" has contributed to women's empowerment at village level.³¹² Evidence of empowerment is not in the first place provided by quantitative indicators, but by qualitative indicators, and at an individual as well as a collective level.³¹³

An outcome assessment of "1325" goes beyond the scope of this evaluation. State and non-State actors in Timor-Leste interviewed during this evaluation communicated that in their perception Timor-Leste has made progress related to 'women, peace and security': women's representation in decision-making; the legal framework to End Violence Against Women; skill building in Conflict Resolution, in target groups and target villages; and "Dealing with the past". In other words: there is a *perceived Outcome*.³¹⁴ Some of the civil society projects have been successful at grassroots level as well as in working with relevant national institutions and their recommendations have been adopted by national institutions.³¹⁵

³⁰¹ Communication , senior staff, UNW; senior staff APSCITL; senior staff, Caucus; senior staff Ba Futuru.

³⁰² Council of the European Union: EU Comprehensive Approach to the Implementation of UNSCRs 1325 and 1820, Brussels, 4 2008

³⁰³ European Union Country Strategy on Implementation of the Comprehensive Approach to UNSCR 1325 and 1820 on Women, Peace and Security in Timor-Leste. February 2013.

³⁰⁴ UN WOMEN, UNDP and EU Joint Programme on Women, Peace and Security: Enhancing Women's Participation in Peacebuilding and Post-Conflict Planning in Liberia, Timor-Leste, and Kosovo (UNSCR 1244). EU contribution 1,500,000. The programme is managed by UN Women. Communication, UN WOMEN, 3 July, 2014..

³⁰⁵ 229226 ICTJ; 253057 Ba Futuru; 276398 YPK; 276398 ICTJ; 276400 Belun; 306933 Triangle; 284340 IMVF; 306930 Haburas; 306935 Plan; 2844045 SfCG / DAME.

³⁰⁶ Renee Black: Internalizing Resolution 1325. Masters Research paper, 2009, web-based publication.

³⁰⁷ Sumie Nakaya: Women and Gender Issues in Peacebuilding: Lessons Learned from Timor-Leste, in: Funmi Oloisakin, Karen Barnes, Eka Ikpe (eds.): Women, Peace and Security – Translating Policy into Practice, 2010, web-based publication, page 155-170. Karen Barnes: Turning policies into action? The European Union and the Implementation of UNSCR 1325, page 211-222.

³⁰⁸ See Security Council Report, Cross-cutting Report, Women Peace Security, 2010 no 2, Oct., 2010, www.security councilreport.org. On N-Peace Network Timor-Leste - Advocacy and Socialization of UNSCR 1325 in Timor-Leste see www.n-peace.net.

³⁰⁹ A Board of Advisors, a Steering Committee (SA and NSA), a Working Group on the Implementation of 1325 (led by SEPI, Secretariat of State for the Promotion of Equality). See: Women, Peace and Security in Timor-Leste, Security Council Resolution 1325, UN, 2012.

³¹⁰ Observation, Field Visit Same, Manufahe

³¹¹ Women in the project villages have a clear understanding of "1325 / Women, Peace and Security". For them "1325 / Women, Peace and Security" signifies: 1. Food security, employment; 2. Security and peace at different levels: family, village, nation-wide; 3. Ending Violence Against Women; 4. Conflict resolution: they are skilled in conflict resolution, have clear methods that have proven to be 'accepted' and efficient, addressed countless conflicts of domestic violence, there is evidence that domestic violence has been reduced in villages where they work, which is likely to be attributed to their efforts; 5. Understanding past violence, acknowledging contributions of women to independence struggle; 6. Dealing with the past: trauma healing, conflict transformation.

³¹² "In the life stories of women you see so much empowerment". Communication, UN WOMEN, ACBIT, Fokupers. There is perceived outcome of empowerment trainings. Examples at a personal and collective level mentioned during field visits: From not being able to read – to being able to read; From a village woman to addressing international fora; From surviving violence to organising other survivors of violence; Organising Self-Help groups; Addressing women's empowerment at village level: identifying women's needs, decision making, changing gender division of labour; Leadership capacities.

³¹³ Conclusions from Field Visit to Same, Manufahe, APSCITL's women's group and Mudanse in Daisua village; and Field Visit to Maliana, women's group village Tapomemo.

³¹⁴ A concern is that in Post-Conflict Recovery financing for Gender Equality and '1325' is increasingly difficult. H.Clark: The Price of Peace: Financing for Gender Equality in Post-Conflict Recovery and Reconstruction. UNDP, 25.10.2010, web-based publication.

³¹⁵ A successful example of a civil society project addressing the Women-Peace-Security Agenda at grassroots level is the Ba Futuru project on Empowering Women and Establishing Grassroots Protection Networks Project (EWP). The project established Protection teams and organised trainings on Conflict Transformation. The project involved successful advocacy to national institutions. "Not only is Ba Futuru having the intended impact at the community level, it has made unexpected headway in shaping national policy". Strategies were adopted by the national institutions as part of country wide strategies: MSS incorporated Ba Futuru's recommendations into its

The main EU contribution to “1325” featured a partnership with development partners led by Brussels rather than the Delegation. The support to “1325” was limited in terms of non-financial support, lacking an effort to develop the theme throughout the strategy and establishing linkages and complementarities. Lack of strategy, partner dialogue, non-financial support and leadership resulted in limited ownership and visibility. This is considered a missed opportunity.³¹⁶

JC8.4 Civil Society was effectively supported and empowered to enhance the quality of service delivery

EU support to CSOs in the social service sector as a whole addresses relevant issues in an effective manner with clear instances of outcome³¹⁷. However, this support is insufficiently consistent and systematic, due to its fragmented nature, one-time project support, short timeframe³¹⁸, and lack of an overarching strategy.

The social service framework in Timor-Leste is still at an infant stage and capacities are extremely limited³¹⁹. CSOs are the main actors in the social service sector and, amongst others, the Catholic Church has a prominent role. Access to and affordability of social services has been identified as a major need and a Human Rights issue³²⁰. The government and development partners³²¹ recognise the need for strengthening the social service framework. Progress is evident in the field of Protection³²² and Ending Gender Based Violence³²³, where, with the help of development partners, a referral pathway has been put in place, coordination mechanisms were established, and roles and responsibilities of State and Non-State Service Providers have been formalised³²⁴.

The EU defines its support to CSOs in the realm of service delivery as “partnerships for better quality” and ensuring that disenfranchised groups can access basic services³²⁵. In the context of Timor-Leste such an objective is highly ambitious as basic services are still missing.³²⁶ EU supports at least six CSO-projects with a focus on service delivery³²⁷. Church institutions³²⁸ are not among them. EU partners are engaged, in varying levels of co-operation, with church institutions.³²⁹ EU support involves incidental financial support to service providers but there is no strategic partnership or policy dialogue with the responsible Ministries (see also analysis in EQ 5).³³⁰

annual action plan for 2014 and adopted several recommendations including establishing focal points. See Ba Futuru Interim Narrative Report, October 2013, p. 3. See also Ba Futuru website www.bafuturu.org. Ba Futuru is a positive example of civil society projects contributing to EU visibility on Gender and the Women-Peace-Security agenda.

³¹⁶ Communication, Senior staff, UNW

³¹⁷ Observations and interviews during field visits to Marie Stopes International, Fokupers, Ba Futuru, and Casa Vida.

³¹⁸ Communication by Marie Stopes International and Ba Futuru.

³¹⁹ Communication, senior staff of Direcção Nacional de Reinserção Social, Ministry of Social Solidarity.

³²⁰ Communication, staff, Haburas, 4 July 2014.

³²¹ In 2012, development assistance in the field of Social Inclusion included 27 donors, 31 executing agencies and 69 projects. Ministry of Finance Democratic Republic of Timor-Leste, Development Co-operation Report 2012, Table 3 page 22 and 25.

³²² Communication, senior staff, Ministry of Social Solidarity, Director of Direcção Nacional de Reinserção Social, and Ba Futuru.

³²³ See Ministry of Social Solidarity: Standard Operating Procedures: GBV Referral Pathway. Dili, n.d. Ministry of Social Solidarity: GBV Case Management, Standard Operating Procedures (SOPs), Dili, n.d.

³²⁴ Acknowledged service providers include 4 EU partners: Pradet, Fokupers, Casa Vida, Alola. See Ministry of Social Solidarity: Standard Operating Procedures: GBV Referral Pathway. Dili, n.d., p. 5. On financial support by MSS, see Ministério de Solidariedade Social: Direcção Nacional de Reinserção Social: Lista instituisaun nebe MSS fo apoiu orsamento ba tinan 2013.

³²⁵ “The roots of democracy (...)”, section 4.3, Social services: partnerships for better quality, p.8. “support to CSOs in service delivery may be provided to ensure disenfranchised groups can access basic services.

³²⁶ For example, Casa Vida mentions that there is a lack of mental health services in Timor-Leste Organisations so they can't refer the most needy people. Communication, Casa Vida, 4 July, 2014

³²⁷ including 49535: Marie Stopes International; 200450: Christoffel Blinden Mission; 200524 Projecto Comunidade Saudável Medicos do Mundo; 253057: Ba Futuru; 306933: Triangle, with Pradet and Casa Vida; 306935: Plan International Deutschland.

³²⁸ Communication, Madres Canosiana, Becora. The church is playing a pre-eminent role in charity towards the needy in TL. During the resistance movement the church stood with the people. At the 2006 political violence the Sisters Canoseana sheltered 23,000 people. <http://umalulik.blogspot.nl/2008/12/sister-guilhermina-marcal.html>.

³²⁹ Some EU partners involved in social services have not found the church on their side in what is perceived as controversial approaches (e.g., on divorce, contraceptives). See Rimmer, Susan Harris: Gender and Transitional Justice: The Women of East Timor. Routledge Contemporary Southeast Asia Series, 2010, p. 133. Communication, Church representatives: “EU should play a role in promoting Christian values”. Interview, 12 July 2014.

³³⁰ Communicated by staff of the Direcção Nacional de Reinserção Social, Ministry of Social Solidarity.

4.9 EQ9 A CO-OPERATION CONTRIBUTING TO CHANGES

To what extent has the EU co-operation contributed to overall long-term impacts and shaped positive perceptions of the EU as a co-operation partner?

Summary Response Box EQ9

Generous and reliable finance assistance allowed implementation of a large project portfolio in pertinent focal sectors and with strong relevance to co-operation goals. However long term impacts have been limited and the EU capacity to influence the achievement of long-term national development goals was weak.

The New Deal offers a potentially useful framework for Co-operation to improve impact, but so far limited mutual engagement points to a gap between discussion and practice and low levels of awareness of what it really entails.

Peace and stabilisation have been addressed by few interventions, mainly project related, not strategically connected and missing opportunities to address long-term root causes undermining peace and stability.

Yet despite a lack of evidence on long-term impacts, EU Co-operation is highly valued by political leaders in Timor-Leste and positively seen by beneficiaries for its contribution to the overall development and independence of Timor-Leste. The EU is perceived as an honest broker, genuinely interested in Timor-Leste development out of solidarity.

Several actors, including civil society, would prefer to see a more active EU involvement, including in

JC 9.1 The New Deal provides an overall framework for EU co-operation with Timor-Leste adjusted to fragility and capacities, conducive to deliver long-term impacts

The New Deal is a potentially useful framework to advance policy dialogue and to improve practice in support of peace-building and State-building but this potential has so far not been explored; national capacities and awareness are very low.

The evaluation found overall a discrepancy between New Deal discourse and practice though there are initial signs that the discussion about the New Deal has influenced some practice within Government and the donor community³³¹. The EU started to actively contribute to the implementation of the New Deal only as of 2013, with some initial positive developments supporting the strengthening of country systems (including the provision of budget support).³³²

More needs to be done on the side of the EU and the Government, to translate this discourse into an operational framework, which may support progress toward goals of peace-building and State-building³³³. This depends on the willingness of both the Government and the EU, to use this framework for more than just addressing aid effectiveness. It concerns the extent to which Government is prepared to engage with its partners, including the EU, in meaningful political and policy dialogue (including dialogue at sector level), the ability to bring civil society more prominently into the implementation of the New Deal and steps taken by the EU to provide aid through more simplified approaches.³³⁴

Many interviewees from development organisations, including the EU, see the New Deal as a framework, which has not yet made a real difference to how the co-operation between the Government and development partners is shaped. Awareness of the New Deal among Government officials outside central institutions is largely absent. Perceptions on the New Deal and what it can serve differ within Government, between Government and development partners and among development partners (see table 7).

³³¹ See Annex 14 (New Deal).

³³² See analysis for Budget Support in EQ 4 and Conclusions (Chapter 4).

³³³ See Annex 14 (New Deal) and EQ 2 (JC 2.3).

³³⁴ See EQ 2 (JC 2.3) and Annex 14 (New Deal).

Table 7: Opportunities and challenges for the application of the New Deal in Timor-Leste

Opportunities	Challenges
<ul style="list-style-type: none"> • Seen as a framework to address fundamental issues in the relationship between Government and development partners, including trust and political aspects • Can promote the political and policy dialogue between partners to address wider macro-level reforms pertaining to peace-building and State-building (beyond aid effectiveness) • Political leaders of Timor-Leste have ownership of the New Deal and can be held accountable to the principles enshrined in the New Deal (e.g., promoting dialogue, including civil society) • Development partners, including the EU, can be held accountable to the TRUST pillar (e.g., supporting alignment, timely and predictable aid) • Alignment strengthens key Government functions and promotes ownership among Government • Transparency created by Government informs development partners on Government priorities 	<ul style="list-style-type: none"> • Perceptions on the essence of the New Deal differ widely, ranging from the idea of a renewed aid effectiveness framework to a new fashionable policy discourse • Several co-operation workers see it as an additional layer of procedures, led by catchy acronyms without significant value added • Some stakeholders perceive the New Deal as a heavy framework poorly suitable to tackle very context-specific dimensions of fragility, and ask whether a more open and flexible approach wouldn't be more effective • Alignment often narrowly interpreted as the provision of budget support • So far, limited application in the practice of co-operation and by a few partners, only. Caused by lack of enough national capacities to take the full lead at different levels • Deficit of human resources in EU Delegation to support the different facets of the New Deal • Effective planning and coordination linkages between Finance and sector ministries not in place (in view of the shift of NAO to MoFA an additional challenge)

Sources: i) perception survey (see Annex 13) ii) evaluation team interviews and iii) Evaluation Team SWOT analysis

JC 9.2 EU Co-operation has contributed to peace and security in Timor-Leste

The EU has made some contributions to peace and security, which have contributed to stabilising the country. However, the EU did not strategically address key factors underpinning long-term instability in Timor-Leste more fundamentally, which was a major gap in the EU's strategy. Interventions were few, mainly project related, not strategically connected and missed opportunities to address long-term root causes undermining peace and stability, including impunity for crimes committed during the Indonesian occupation.

In view of increasing oil revenues since 2008 and the ability of the Government to pacify diverging interests in Timor-Leste through social payments, the relative importance of international development partners, including the EU, to contribute to the immediate peace and security situation has declined as compared to the initial years of independence. The EU, as the second biggest donor to Timor-Leste providing nearly 9% of all support mobilised by international development partners,³³⁵ helped to stabilise the country with a substantial contribution during the evaluation period.³³⁶

Recent analyses³³⁷ converge however in the finding that underlying causes of instability in Timor-Leste are still present. The fight against impunity, headed by Civil Society Organisations, indicates that more needs to be done to improve peace and stability. Studies also point out that the rapid creation of wealth due to oil revenues may represent an additional threat for peace and long-term stability³³⁸. The EU's co-operation strategy was not informed by a solid assessment of conflict and fragility, resulting in a non-strategic response to the peace and security needs of the country.³³⁹

The EU's contribution to shaping long-term peace and security, for instance by assisting with the diversification of the economy and making the national economy less dependent on oil incomes,

³³⁵ Disbursements by donor for 2010-2013 (in US\$ Mn): Australia (319,3); EU (84,8); Japan (74,5); USA (66,2); China (50,1); Portugal (42,8). The EU family (EU; Portugal; Germany; Spain; Ireland; Sweden; Netherlands; Italy) together contributed 156,9. Source: Information collected from Transparency Portal (Ministry of Finance, Timor-Leste)

³³⁶ See EQ 2 (JC 2.4) and Annex 11

³³⁷ See for instance GIZ assessment on peace and stability - 2014, evaluation of Irish co-operation - 2014

³³⁸ UNDP 2011 report on human development

³³⁹ See JC 1.1, JC 5.1 and EQ 7 (JC 7.3 and JC 7.4)

was very limited. Moreover, a major co-operation assumption – that supporting farmers and extension services would significantly increase the number of jobs – did not prove to be correct (see EQ 5). Several opportunities created through investments in rural development were not well used. Contributions to strengthening the state and civil society were useful in some areas, though did not sufficiently target governance and the root-causes of conflict and fragility. The Instrument for Stability ³⁴⁰ financed rural road projects, effectively supported poverty reduction but tackled peace and stability only very indirectly.

The EU's support to civil society for shaping transparency and state accountability (understood as a contribution to long-term stability, peace and security in Timor-Leste) was relevant and effective at project level but limited in scope, disjointed and lacking strategic coherence. The co-operation in relation to “1325” (women, peace and security) was perceived as positive. Despite a lack of strategy, minimal EU involvement in dialogue and no leadership on advancing the topic, it still led to project level outcomes. Several opportunities were missed to connect with other domains and sectors of EU support (e.g., governance, human rights, media) and thereby potentially achieve a higher-level impact.

JC 9.3 – The EU's co-operation has influenced the achievement of long-term national development goals

The EU co-operation has contributed little to and only partially influenced the achievement of long-term national development goals. Considering investments of more than €87 M disbursed for the period 2008-2013, the results have been overall mixed and did not significantly contribute to achieving the EU's co-operation goals. Projects and programmes were largely implemented without solid dialogue, coordination or linkages with interventions in other fields.

The evaluation identified several project-level positive outcomes, including for rural road development, improved extension services (see EQ 5) and State-building, related to public finance management, support to the electoral process, parliament and justice (EQ 7). Results were also found for the “1325” agenda and civil society capacity-building (EQ 8). The majority of these contributions were achieved by financing existing programs developed by partners.

A substantial part of the assistance (34%) was channelled through World Bank trust funds and UN Agencies reducing opportunities to get more involved in the implementation process. EU Delegation resources were also not enough to accompany close enough the work of these agencies. Moreover, it results in lesser opportunities for the EU to become a visible partner in the policy arena. The funding allows other agencies to fund their own human resources while the EU remains in the background.

Overall impacts for the EU's generous package of financial assistance (some €87 M disbursed over the period 2008 to 2013³⁴¹) have been weak³⁴². The EU co-operation's focus over the evaluation period was on building the EDF-financed partnership up from scratch (including the establishment of an NAO office) and complying with managerial and administrative tasks while continuously struggling with a shortage of human resources spread thinly across various sectors. This diverted attention from dealing with the “big-picture” questions on where Timor-Leste is moving and how the EU could engage more strategically and meaningfully.

Another factor influencing and reducing the EU's effectiveness has been the limited number of international and well-performing development organisations present in the country. In light of scarce national capacity, this meant limited choice for collaboration and resulted in some partnerships with organisations that had a poor track record to date.³⁴³

³⁴⁰ the instrument is specifically designed to address work in the area of conflict prevention, crisis management and peacebuilding; http://eeas.europa.eu/ifs/index_en.htm

³⁴¹ Committed amounts from 2006 to 2013, see Inventory Annex 2

³⁴² Finding confirmed by several external assessments, ROMs and interviews; findings also supported by field visits

³⁴³ See EQ 2 (JC 2.2) and EQ 3 (JC 3.4) which refers to the lessons learnt by Australia and their change of co-operation approach. I.e., more doing by themselves because of insufficient performance of partners.

Capacity to affect long-term changes has been critically constrained by a weak strategy (see JC 1.1), management issues (see EQ 3)³⁴⁴ a fragmented and compartmentalized approach in programming and implementation, limited human resources and the absence of a political and policy dialogue in support of financial assistance.³⁴⁵ The EU developed synergies and collaboration with civil society, member states and other development partners, but these were limited in scope and without building real partnerships for the achievement of common goals. Important opportunities have been missed to heighten impacts.

A lack of clarity in the definition of the EU agenda and goals has affected the process of strategic thinking, decision making and delivery. The evaluation team raised with many stakeholders the question of “why is the EU here?”. Answers included a) supporting an EU member state and Timor-Leste in strengthening mutual ties³⁴⁶; b) supporting a newly independent and poor state out of a solidarity perspective; c) the wish to reinforce the role of the EU in the ASEAN region (Timor-Leste has applied for membership) and d) financing a new state to ensure additional votes in support of EU positions in international fora.

JC 9.4 The EU’s overall development co-operation priorities, its values and its regional ambitions have been perceived by beneficiaries as a relevant contribution to the further development and independence of Timor-Leste

The EU co-operation is highly valued by political leaders of Timor-Leste and overall, is seen positively by beneficiaries of the EU co-operation for its contribution to the overall development and independence of Timor-Leste.

The leadership of Timor-Leste has a strong interest in maintaining and further building relations with the EU, which they see as a “third neighbour” because of shared values and development priorities, its perspectives on dynamics in the ASEAN region and in terms of further supporting their independence as a state³⁴⁷. The overall “like-mindedness” between the Government and the EU is seen as an important foundation to support the further independence of Timor-Leste and for helping to strengthen ties with the rest of the world, which is a highly strategic factor for Timor-Leste due to its recent history of occupation and suppression. At this political level, the EU’s development co-operation is seen as a useful vehicle to fill these relations with content and to facilitate the establishment of more regional alliances.

The mix of responsibilities within the EU concerning Timor-Leste (EEAS, Asia-Pacific Department dealing also with the ASEAN and EuropeAid, providing opportunities for regional EDF funding) fits well with the international and regional relations objectives of Timor-Leste. Through its membership in the ACP, Timor-Leste has access to considerable amounts of national and regional EDF funding (which it would not have under the Budget) and is able to stay politically in contact with the Pacific Island Forum (to which it is an observer but does not aspire to membership). The EU, through the EEAS, supports politically the ambitions of Timor-Leste to become a member of the ASEAN.³⁴⁸ Despite these positive views, Timor-Leste did not make much use of the regional funding opportunities for enhancing regional co-operation (which is only changing now, with the transfer of NAO to the Ministry of Foreign Affairs).

³⁴⁴ Including lack of unified management, layered decision making, lack of result based management with related issues of commitment and accountability

³⁴⁵ These findings are discussed in the analysis of EU processes and mechanisms (EQ3) and Aid modalities and instruments (EQ4)

³⁴⁶ This unexplicit goal was strongly supported by former EC President (source: several interviews with EU Officials)

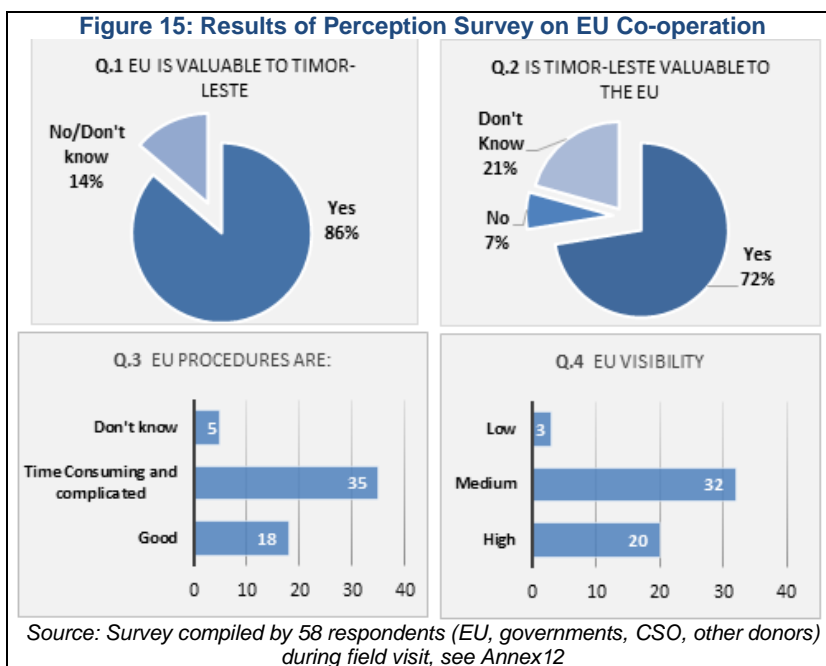
³⁴⁷ Evaluation Team Interview with Minister of Finance and other prominent national actors and co-operation stakeholders

³⁴⁸ See EQ 1 (JC 1.2), EQ 3 (JC 3.5)

JC 9.5 The EU is perceived by beneficiaries and development partners in Timor-Leste as a key development actor and a credible political actor, which helps to achieve national development priorities

Beneficiaries and development partners highly value the EU as a credible, honest and neutral actor genuinely supporting poverty reduction and development. However, EU visibility is limited and many think EU could do much better in terms of sector leadership, performance and impact in contributing to national priorities

The perception survey carried out during the evaluation’s field work (see Figure 15 and Annex 13) shows how EU Co-operation is appreciated positively by co-operation stakeholders. The overall perception is of an impartial, distant and reliable partner, sharing historic ties and values and without local interests and hidden agendas.³⁴⁹ EU solidarity and support for achieving independence is a key factor contributing to strong ties and a solid partnership. However, beyond those working directly and indirectly with the EU, there appears to be little knowledge about the work of the EU, what it stands for and what it tries to achieve.³⁵⁰



Overall EU co-operation is viewed as a valuable source of financial support but several actors expressed wishes for a clearer involvement in non-financial commitments, including sector leadership, policy dialogue, political dialogue, and increased efforts in support of women, civil society, and human rights and supporting political stability in Timor-Leste³⁵¹.

Beneficiaries and development partners indicate that the EU could do better; for example, the EU is hardly visible in what it is doing and not perceived as the lead donor in any particular field (it is often the implementing partner who gets the upper hand in visibility, see also JC 9.3). In addition, most respondents have a perception of inefficiency with time consuming and complicated procedures. The effectiveness and efficiency of EU Co-operation was seen as more positive before entering into the EDF partnership.³⁵²

³⁴⁹ The finding on aspects most appreciated derives both from comments of respondents (see survey answers, Annex 13) supported by evaluation team interviews with more than 150 stakeholders. Shared values including solidarity and Christian values.

³⁵⁰ Meetings with project beneficiaries during field visits, and several exchanges with people not directly implicated in EU Co-operation

³⁵¹ See recommendations from perception survey, Annex 13.

³⁵² Several interviews with national stakeholders and comments from the perception survey.

5. CONCLUSIONS

The conclusions of this Evaluation are of two different orders. The first five are strategic in nature relating to the objectives and ambitions of the EU Co-operation in Timor-Leste. The second set of four conclusions relate more to the manner of implementation. The Recommendations are similarly split into two corresponding sets

Strategic Conclusions

C.1 AN INSUFFICIENTLY PROACTIVE MODE OF CO-OPERATION

The EU Co-operation programme with Timor-Leste has been driven by multiple interests and perspectives that have weighed in different ways on the definition of co-operation goals, scope and strategy. Interests and priorities were perceived differently by different actors within the EU and this contributed to an unclear definition of the *raison d'être* of the EU Co-operation with Timor-Leste. The bulk of efforts addressed poverty reduction and development goals.

The EU has underpinned its priorities with significant financial resources; but it did not coherently back this financial effort with consistent engagement, including engagement at senior management level and investment of adequate human resources in operations and dialogue. The lack of a coherent commitment to supporting financial co-operation included a lack of attention to the political dimension of the co-operation, to policy development and wider sector reforms, and to the building of strategic partnerships. Moreover internal EU mechanisms proved ill-adjusted to working in a small, fragile and rapidly evolving environment such as Timor-Leste, where capacities are very low at all levels. Notwithstanding the considerable flow of financial assistance, and its implementation through projects relevant to focal sectors, the impact of the EU Co-operation on poverty reduction and development of focal sectors has been weak, and opportunities to achieve higher-level impact on State-building and peace-building were not created. Internal disconnects, inadequate assessment of the context, a weak strategy, fragmentation of efforts, and limited human resources have all been critical factors limiting effectiveness and diluting opportunities for impact.

The EU Co-operation in 2014 maintains its relevance, but under a different approach, ensuring better engagement and effectiveness of EU efforts.

Government officials value the EU as a neutral and reliable partner, particularly appreciated for its support for Timor-Leste's international ambitions. However, the majority of stakeholders would favour more active involvement, including in the policy arena, going beyond financial assistance. EDF mechanisms are considered as slow and cumbersome and unadjusted to the context.

C 1.1 The definition of EU interests for engagement with Timor-Leste are unclear

Key drivers for the Co-operation included the willingness to support an emerging State, avoiding local and regional instability and the risks inherent in assisting a potentially failing new State. EU interests also included empathy for Timorese people and history, and the willingness to promote EU values of democracy, human rights and good governance and a genuine motivation to contribute to poverty reduction. An additional factor underlying EU engagement was the willingness to support the mutual interests of Timor-Leste and Portugal in strengthening ties. Another important driver was the willingness to support Timor-Leste's international ambitions and participation in regional *fora*. These interests, and the priority given to them in shaping EU Co-operation, were perceived by key EU stakeholders in different ways, contributing to a poorly harmonized vision of why the EU is engaged in co-operation with Timor-Leste.

C 1.2 Weak effectiveness, constrained by internal disconnects, limited capacity to adjust to the context and a passive mode of EU Co-operation

The EU Co-operation's impact on poverty reduction and development of focal sectors has been weak, and opportunities to achieve higher-level impact on State-building and peacebuilding were not created. This concerns support to Government as well as Civil Society. Effectiveness was critically constrained by internal EU disconnects, including compartmentalized structures (ECHO,

EEAS and EuropeAid) and limited communication within the system, disconnects in terms of strategic prioritization and the purpose of co-operation, a layered and non-unified management system with a separation between senior management engagement and decision-making in Brussels on the one hand, and operational management in Timor-Leste on the other; a broadening gap has also divided the EU's current internal negotiations³⁵³ and the actual practice of co-operation.

Low levels of direct engagement and the passive mode of Co-operation work, affected local capacities to assume sector leadership and develop trust, credibility and dialogue with institutions and government, thus constraining co-operation effectiveness.

On the positive side, the EU Co-operation with Timor-Leste provided a reliable flow of financial assistance. Financial resources were invested in programmes and projects with high degrees of relevance, although generating outcomes of varying quality. In some instances (i.e. roads, water and sanitation, PFM) interventions produced positive results. However the fragmented approach, lack of complementarities, limited resources for design and follow-up, and lack of engagement in political and policy dialogue, constrained the creation of opportunities to consolidate project results into wider outcomes at sector and national levels.

C 1.3 The relevance of EU Co-operation with Timor-Leste remains but is not sufficiently strong for future use

The EU Co-operation with Timor-Leste, even with current levels of oil revenue, is maintaining its relevance in supporting political priorities and increasing national capacities to address poverty reduction in the medium term. However the current approach, marked by the internal disconnects just discussed, should be considered as inadequate for supporting EU goals effectively.

Co-operation could continue with similar objectives but only on condition of an engagement more coherent with EU ambitions, more politically focused and supported by better strategies, design, strategic partnerships and full commitment to policy dialogue and management by results. Mutual accountability and national ownership also need strengthening under a new approach.

C 1.4 An overall positive perception of the EU and its co-operation efforts

Key co-operation stakeholders, including Government, institution officials and Civil Society have developed a perception of the EU as a trusted and reliable partner, valued as an honest broker, with shared values. The EU is seen as genuinely motivated by solidarity supporting socio-economic growth and poverty reduction and safeguarding of sovereignty and political independence. This positive image is however clouded by its reputation of being cumbersome to work with administratively and the low capacity of the EU Delegation.

C.2 EU CO-OPERATION STRATEGY AND IMPLEMENTATION: LIMITED EFFECTIVENESS

The design of the strategy for the 10th EDF provided a broad and relevant outline for sector-level strategic choices. However, preparation was hurried and inadequate for developing an effective strategy for addressing co-operation goals; the process of design lacked stakeholder participation, with very limited involvement of Member States, Government counterparts, and Civil Society, and only limited consultation with development partners.

The strategy was built on a limited assessment of the context, was not operationalized and was not supported by a clear and realistic results framework. It was very weak in addressing policy development and sector reform. Important gaps in the strategy design included how to address peace-building, governance, the lack of a strategy for Civil Society partnership and a strategy for women's empowerment and gender mainstreaming; strategic choices for addressing issues of human rights and impunity were absent. The strategy was translated into implementation through a piecemeal approach of relevant projects and programmes, which contributed to fragmentation of effort and dilution of impact. Several interventions proved relevant and produced project-level benefits, but made only a limited impact on wider sector development, poverty reduction, State-building and peace consolidation.

³⁵³ EU theory and policies related for instance to aid effectiveness and management by results, gender, Civil Society, human rights, governance and an increased engagement in political and policy dialogue

11th EDF key strategic choices were already defined prior to this evaluation of the EU Co-operation. The same conclusions drawn for the 10th EDF strategy also apply to the current state of preparation of the 11th EDF.

C 2.1 A weak strategy, not adequately designed

Although relevant to the agreed goals, the EU Co-operation strategy was too ambitious and ineffective to contribute to poverty reduction, State-building and peace consolidation, despite the fact that these goals were nominally at the heart of EU support for Timor-Leste. Several problems were evident in the EU Co-operation strategy, namely:

- context analysis, the strategy not being adequately informed by an analysis of context, including: fragility assessment, poverty appraisal, and an in-depth assessment of focal sectors;
- failure of the Co-operation strategy to anticipate forthcoming oil revenues or take into account the fact that the key constraint to development and poverty reduction would no longer be a lack of financial resources, but rather a lack of access, markets, knowledge, capacity, and policies;
- limited EU human and financial resources not commensurate with the wide ambitions;
- lack of strategy for political and policy engagement, thereby depriving the Co-operation of adequate support and ownership;
- gaps in the EU Co-operation strategy around critical issues relating to co-operation objectives, for instance: a comprehensive strategy for addressing peace consolidation, a specific focus on governance, human rights, women's rights, stability and State-building; a strategy for supporting women's empowerment and gender mainstreaming; and a strategy for Civil Society support. Moreover the strategy did not clarify the position regarding the language problem in the country and how it was planning to work on this *via* its development effort; nor did it address the issue of how to end impunity for gross human rights violations committed during the Indonesian occupation as a *sine qua non* for a sustainable foundation for peace;
- the fact that strategy was not well operationalized with clear definition of quantitative results, the expected outcomes not being adequately linked to inputs (financial resources and political and policy dialogue).

C 2.2 Relevant efforts made to address State-building and sector development but impact opportunities weakened by strategy and fragmented approach

State-building: EU funding was provided to relevant domains of State-building but the contributions were spread over different domains without steps being taken to link them more strategically (conceptually and operationally) or to bring together relevant actors from different public administration traditions for policy dialogue on pertinent State-building issues. Positive outcomes were recorded at individual project level, but the EU's work in this domain missed opportunities for a more strategic approach, that could have targeted State-building and governance in a more integrated manner. An approach linking State-building to the changing economic environment and creation of a non-oil economy was absent. The EU focused on the central State institutions, but was absent on discussions and initiatives taken to strengthen the State and its relationship with its citizens at lower levels (deconcentration and decentralisation). This was largely due to an absence of political and policy dialogue and limited capacity at EU Delegation level, which reduced the role of the EU in most cases to a financier of planned or ongoing State-building activities initiated by other development partners in dialogue with the Government.

Sustainable development: although rural roads and water and sanitation programmes effectively addressed the high development priorities of the population and the Government, Co-operation efforts supporting rural development had limited effectiveness and did not address structural factors limiting production and marketing. The strategy did not take into account sector reform needs, nor did it support establishment of sector capacities at central level, nor did it contribute to significantly increasing jobs in rural areas. Moreover, it did not take into account critical factors hampering production and marketing. Implementation was weakened by issues of design, a fragmented project approach, lack of national ownership, sustainability, and limited human resources for follow-up.

The lack of engagement on sector leadership and policy dialogue limited opportunities for impact. Limited interactions and complementarities were established across projects, but interventions have been largely disjointed. Institutional capacity-building was limited in scope and overall EU Co-operation, with the exception of improved extension services, has not significantly contributed to an improvement in the Ministry of Agriculture's capacities and performance. National ownership of EU projects was, in general, low. Focal sector support did not actively tackle policy development and sector governance.

C 2.3 Missed opportunities for the Women-Peace-Security agenda

The EU has contributed to the promotion of the agenda on Women, Peace and Security through supporting the UNW/UNDP/EU programme and five Civil Society projects. Some Civil Society projects have been highly successful at grassroots level as well as in working with relevant national institutions, and some of their recommendations have been adopted by national institutions. However, EU support has not strengthened any of the key national institutions in support of women's empowerment. EU support to '1325' was limited in terms of non-financial support, lacking initiatives to develop the theme throughout the development strategy or to establish linkages and complementarities, resulting in limited ownership and visibility. This is a missed opportunity.

C 2.4 Missed opportunities also for gender, human rights and environmental issues

The EU Co-operation addressed crosscutting issues in its strategy, implementation, monitoring and evaluation. However, the level of attention was low and the measures taken lacked strategic relevance, were on a small scale and were dispersed. Moreover, there was no support for institutional capacity-building and policy dialogue in the context of creating national capacities for addressing gender and environment priorities.

C.3 POSITIVE BUT LIMITED ENGAGEMENT SUPPORTING TIMOR-LESTE INTERNATIONAL AMBITIONS

EU support for Timor-Leste's foreign policies is a dimension of co-operation perceived by senior government officials as providing dividends for national sovereignty and independence. Internal disconnects and limited dialogue with the government adversely affected clear definition of priorities and a more strategic approach to foreign policy support, as well as more effective use of regional financial instruments to support international ambitions.

EU support for Timor-Leste's foreign policy has been one of the aspects of the Co-operation most appreciated by Government officials. EU's institutional arrangements in relations with Timor-Leste are highly supportive of the Government's priorities in relation to strengthening its international relations (access to Pacific region and PALOP countries through EDF funding, and connecting politically with South-East Asia/ASEAN) and gaining access to substantial amounts of funding for its development budget (EDF and DCI funding).

The support for foreign policy contributed to several opportunities for strengthening Timor-Leste's international ties, improving networking and facilitating dialogue, but it is too early to appraise the benefits of these efforts. Efforts, insufficiently supported by the political dialogue, and not backed by a clear strategy. Internal disconnects, particularly the different perspectives and prevailing working culture of EEAS and EuropeAid, also constrained opportunities to achieve stronger impacts in the foreign policy arena.

C.4 THE WEAKNESS OF POLICY DIALOGUE SIGNIFICANTLY REDUCED THE EFFECTIVENESS OF EU CO-OPERATION

The lack of EU engagement in policy dialogue with Timor-Leste is one of the aspects, which most limited the effectiveness of the EU Co-operation, weakening mutual commitment, national ownership, support for institutional reform and policy development, thereby limiting opportunities for long-term impacts on co-operation goals. The absence of policy dialogue is related to limited Delegation resources, the low-profile and passive mode of intervention, and the lack of a clear assessment and vision of a policy agenda.

Financial instruments under delegated management provided opportunities for policy dialogue carried out by partners, contributing to co-operation goals. However, the EU Co-operation failed to engage directly in political and policy dialogue, a critical factor constraining the effective use of instruments and aid modalities, limiting the effectiveness of the overall financial effort. The critical lack of time available to EU Delegation staff undermined the Delegation's capacity to develop long-term solid relations with decision makers at different levels, including the political leadership. Policy dialogue did not benefit strategy or design: the Co-operation did not set clear results-frameworks for policy development, limiting co-operation efforts mainly to delivery of project-level services and products.

C.5 PARTNERSHIPS: EU CO-OPERATION HAS BEEN MORE A FINANCIER THAN A STRATEGIC PARTNER

In general, the EU Co-operation had more the role of financier than of strategic partner. Fluid information exchange was established, with continuous interactions with development partners; these were involved in consultations and had a role in delegated co-operation management as project implementers, at times leading the dialogue with the Government. However, the EU Co-operation lacked the capacity to actively promote strategic partnerships which would have strengthened its capacity to contribute to co-operation goals.

Partners, including Member States, were not actively involved in strategy design, support for institutional change, sector reform or lesson-learning. The main role for Civil Society was as project implementer or as project beneficiary, but it was not involved as a partner in the design, implementation, oversight or dialogue aspects of EU Co-operation.

C 5.1 Member States: limited interactions and lack of joint strategy

Along with other actors of the EU family, promising steps were taken to develop synergies, share responsibilities and improve the definition of relative areas of involvement. Information exchange has been fluid and several interactions were established through delegated management arrangements, mainly with GIZ and the Portuguese Co-operation. However, these interactions did not develop into strategic partnerships with co-definition of strategies and a joint dialogue for sector reform. Few mechanisms were developed for joint analysis of context or for learning.

C 5.2 Development Partners: limited, non-strategic interactions

Partnerships with other development partners modestly helped promote Government priorities and EU Co-operation goals. Positive changes on the ground could be observed with regard to PFM reform, rural roads, and water and sanitation services, while most other areas of co-operation missed opportunities to foster synergies, with the result that successes remained *ad hoc*, isolated and limited in scope. The principal reason is that the EU Co-operation in Timor-Leste had limited capacity to develop synergies with other stakeholders more systematically and more strategically. This factor also considerably limited the effectiveness of the financial assistance provided.

C 5.3 Civil Society: a key role as project implementer, but not yet a strategic partner

Significant resources were allocated to Civil Society support but the EU co-operation did not develop a comprehensive strategy for mainstreaming Civil Society in co-operation efforts or building stronger partnerships between the different actors involved.

Conclusions on the implementation of EU Co-operation

C.6 INADEQUATE HUMAN RESOURCES LIMITED MOST CO-OPERATION FUNCTIONS

Co-operation with Timor-Leste is particularly demanding in terms of human resources, owing to the general scarcity of well-trained personnel at all levels in Government and institutions. The EU Co-operation did not invest adequately in human resources to support its ambitious goals effectively.

Delegation resources were overstretched with limited capacities to deal with major co-operation functions, including dialogue with Government and with Civil Society, partnership development, strategy, design and management. Delegation staff mainly had the role of administration of financial co-operation, with limited opportunities to focus on the results of co-operation efforts.

Inadequate human resources have constrained critical co-operation functions, including strategy formulation, intervention design, project follow-up, policy dialogue, Civil Society participation, gender mainstreaming, strengthening of the human rights agenda, capacity-building, and learning. Time and resource constraints did not allow time for establishing contacts, dialogue and empathy with final beneficiaries and institutions, contributing to the disconnect between the Co-operation and its key stakeholders. The work overload was particularly heavy owing to the prevailing project aid modality and a large number of contracts. Limited NAO office capacities also increased the workload for the EU Delegation. Multiple and uncoordinated demands from EEAS and EuropeAid kept Delegation human resources absorbed with administrative tasks, leaving very little time for management by results of co-operation efforts.

C.7 AID MODALITIES AND FINANCIAL INSTRUMENTS WERE RELEVANT, BUT THEIR NON-STRATEGIC USE REDUCED THEIR EFFECTIVENESS

Co-operation mechanisms, aid modalities and financial instruments were relevant but were inadequately adjusted to the context and used in a non-strategic way. Aid modality effectiveness was reduced by limited political dialogue, shallow national ownership, lack of engagement in policy development, inadequate design and the Co-operation focus on compliance and disbursement rather than on results.

Project support, the main aid modality throughout the 10th EDF, produced mixed quality of project-level outcomes, with some examples of positive contributions to Co-operation goals. The recent introduction of Sector Budget Support facilitated better dialogue with the Ministry of Finance, provided access to governance dialogue platforms and showed a potential to strengthen State-building, but it is too early to assess outcomes. The relevance of General Budget Support is questioned by the absence of financial deficits. Financial instruments were in general relevant but their contribution to long term goals was impaired by a fragmented and non-strategic use, poor design, and lack of co-operation' engagement in policy development.

Co-operation effectiveness was also reduced by the institutional arrangements for the NAO office and its limited capacity to support the implementation of the EU Co-operation.

C 7.1 Limited available menu of aid modalities and need for a more effective use

Project support was the main aid modality used by EU Co-operation, out of a limited number of options. Modalities were not adjusted to the context and their use needed strengthening on aspects of alignment, ownership, participation, mutual accountability and management by results.

C 7.2 Project aid: a relevant aid modality but effectiveness limited by design and non-strategic use

Project aid was relevant in the context of the co-operation with Timor-Leste, out of a limited menu of options. But the effectiveness of project-based co-operation was limited by the fragmented and non-strategic use of projects, the lack of capacity to use the project aid modality to leverage sector level changes and reforms, and also by the lack of active engagement in policy dialogue. Projects were perceived by most stakeholders as slow, burdened by heavy procedures and performing poorly. In some case projects proved effective when well embedded within national institutions, owned by Government, responsive to sector strategies, or accompanied by policy dialogue at different levels (as experience from the roads sector shows). The quality of project design was often inadequate.

C 7.3 Introduction of budget support

The introduction of Budget Support as of 2013 generated differing views on its effectiveness and relevance for achieving changes. Non-earmarked Budget Support has limited relevance to Timor-Leste, given rising oil revenues and the consequent lack of financial deficits in the national budget. With the exception of the Ministry of Finance, Government systems – in particular at the sector

level – are not yet robust enough to allow effective management of such support. Budget Support could eventually find a strategic use in promoting reforms in particular sectors or for themes which are so far difficult to fund from domestic resources. Its effective use implies a capacity for dialogue and mutual engagement in the interests of reform, which has yet to be developed.

C 7.4 Financial Instruments were relevant but failed to have an impact at certain levels

Financial instruments were relevant to co-operation priorities and beneficiaries' needs and in several cases produced positive results at project level, but failed to have an impact at sector, national or regional levels owing to uncoordinated and non-strategic use of the instruments, a piecemeal approach and contracts which were often too small to achieve critical mass. Financial instruments' effectiveness was also limited by the absence of policy engagement to support wider sector-level changes.

C.8 CO-OPERATION MECHANISM NEEDS STRENGTHENING

Co-operation mechanisms and functions - including NAO support, monitoring and evaluation - need to be reinforced

C 8.1 NAO office limited capacities

The NAO office had limited capacities to support co-operation effectively, including aspects of strategy definition, quality control, implementation, monitoring and evaluation of co-operation interventions, and communication with the line ministries and the Ministry of Finance. The shift of the NAO to the Ministry of Foreign Affairs as of 2013 may work in favour of Co-operation support for foreign policy, but is less strategic for contributions to development and poverty reduction goals, including dialogue with line Ministries and with the Ministry of Finance.

C 8.2 Lack of a monitoring system to support management by results and accountability

EU Co-operation has not developed a comprehensive monitoring system to track progress towards desired changes, aggregating data on key outputs and outcomes.

C 8.3 Learning mechanisms in place but limited strategic focus and slow uptake

Several relevant learning mechanisms were in place but they were designed and used mainly to gather lessons at project level, providing limited contributions to strengthening strategy and design of overall Co-operation efforts. Uptake was limited and slow.

C.9 NEW DEAL: INADEQUATE EFFORTS MADE TO ADJUST TO FRAGILITY

The New Deal is a potentially useful framework for advancing policy dialogue and improving practice in support of peace-building and State-building; yet within the EU the understanding of its potential is still very limited and its application at a very early stage. National capacities and awareness are also very low.

Overall the evaluation found a discrepancy between the New Deal discourse and practice although there are initial signs that the discussions on the New Deal has influenced some practices within Government and the donor community positively. The EU started to contribute actively to the implementation of the New Deal only as of 2013, with some initial positive developments supporting the strengthening of country systems. The New Deal is perceived by Government and development partners alike as a framework which has not yet made a real difference to how the Co-operation is shaped. Awareness of the New Deal among Government officials outside central institutions is largely absent. Capacities and human resources for its implementation are low, both in the Delegation and on the Government side.

6. RECOMMENDATIONS

Strategic Recommendations

R.1 DEFINE A NEW PARADIGM FOR EU CO-OPERATION WITH TIMOR-LESTE

The EU should clarify the *raison d'être* of its engagement with Timor-Leste, define accordingly the goals and scope of co-operation, and back up its ambitions with adequate financial and non-financial efforts. Development co-operation should be pursued only under certain conditions, namely explicit mutual political engagement, a clear commitment to policy dialogue and focal sector reform, and the formulation of an effective strategy, all based on a well-defined results framework with close monitoring of progress (F.a.o.: EEAS, EuropeAid senior management and EU Delegation)

A NEW PARADIGM FOR EU CO-OPERATION

- MORE POLITICALLY ATTUNED
- MORE STRATEGICALLY PITCHED
- MORE POLICY ORIENTED

R.1.1 Clarify the definition of EU interests in engaging with Timor-Leste and the goals and scope of co-operation

The EU should clarify key interests and priorities for its engagement with Timor-Leste, defining the *raison d'être* of the Co-operation among current multiple drivers (see C1.1). In particular it should resolve the differences that seem to exist between EEAS and EuropeAid.

R.1.2 Provide a response consistent with Co-operation goals, with a level of political engagement appropriate for more effective co-operation

The EU response needs to overcome the current gap between ambitions and practice, with a level of engagement coherent with EU interests and priorities. The political dimension of the Co-operation should be significantly strengthened, supporting at the highest level the required dialogue with Government and institutions. This engagement should include effective management by the senior EU hierarchy, including appropriate delegation of authority and commitment of adequate human resources to the co-operation effort (see R.4)

R.1.3 Set conditions to pursue effectively development co-operation

Financial resources are no longer a constraint to Timor-Leste's development and the decision to pursue development and poverty reduction goals should be based on explicit mutual engagement in more effective financial assistance. If such conditions are not set, then in a context liable to produce weak impacts on poverty reduction and ineffective use of EU taxpayers' contributions, discontinuation of development efforts is recommended. The *sine qua non* for continuing development efforts should include:

DEVELOPMENT CO-OPERATION

DEVELOPMENT IN TIMOR-LESTE IS NO LONGER CONSTRAINED BY FINANCIAL RESOURCE AVAILABILITY
FINANCIAL CO-OPERATION AND POVERTY REDUCTION GOALS SHOULD BE PURSUED ONLY IF CONDITIONS FOR EFFECTIVE AID ARE SET

1. explicit political engagement at the highest level on the need to continue EU development co-operation on a basis of increased effectiveness, pursuing co-operation goals and focal sector support
2. a well-defined results framework (see R.2, strategy development), including a clear agenda for policy dialogue specifying targets for i) sector reform, ii) policy development, iii) national allocations for recurrent sector budget, iv) institutional changes and main co-operation results
3. clear definition of mutual responsibilities in the co-operation effort, demonstrating the importance of full national ownership
4. engagement on both sides to invest adequate human resources in supporting implementation
5. close monitoring, at least on a six-monthly basis, of progress toward targets and compliance with commitments

R.2 DESIGN AN EFFECTIVE AND OPERATIONAL STRATEGY

If conditions are set for effective co-operation (see R 1.3), the strategy should be strengthened to improve opportunities for effectively contributing to the goals of poverty

reduction, State-building, peace consolidation and sector development. (F.a.o.: EU Delegation in close consultation with NAO, Line Ministries, Development Partners and Civil Society)

R 2.1 Develop a better informed, comprehensive and participatory approach to strategy design

The strategy should be oriented to contributing to critical sector reforms, based on active engagement in policy dialogue and support for national capacities; and it needs to be informed by in-depth assessment of context, fragility, poverty, and the underlying causes of instability, along with a sound sector analysis. The strategy needs to be operationalized, developing a clear results framework for operational outcomes. The strategy should be developed and designed through a participatory process, involving Member States, national counterparts, Civil Society and in close consultation with development partners. It should be developed as a whole, through a systemic approach harmonizing sectoral components.

Political dialogue and policy engagement should be essential parts of the new strategy (see R 4). An in-depth context analysis should support the design of the 11th EDF strategy, including analysis of the underlying causes of conflict, the evolving political economy and oil revenues, existing capacities and gaps, assessment of poverty, and sector analysis. The analysis of context should be started as early as possible in 2015, as a pre-condition for developing an effective strategy

OPERATIONAL RECOMMENDATIONS

TO IMPROVE APPROACH AND DESIGN OF EU CO-OPERATION STRATEGY IN TIMOR-LESTE

- Make adequate resources available for strategy design and the accompanying consultation process.
- Also develop the strategy at operational level, identifying critical choices addressing policy dialogue, sectors and sub-sectors, key stakeholders, and mechanisms for harmonization with other donors
- Develop a flexible results framework for co-operation work with clear indicators, baseline and targets, with the indicators fully aligned with the national Strategic Development Plan
- Include in strategy development an analysis of choices of aid modalities and instruments, seeking strategic use of budget lines to contribute to co-operation goals
- Develop the strategy as part of a participatory process with national institutions and Civil Society, in close consultation with development partners

R 2.2 Define an effective strategy for strengthening State-building and sector development

Strategy design should be informed by limited institutional capacities, limited sector coordination, low levels of recurrent budget, and challenges relating to dialogue at political level and policy reform level. Support for the agricultural sector should be framed, as a precondition, by the political agreement and mutual engagement as discussed in R 1.

Focal sector support should encompass sector governance, addressing the policy and regulatory framework. Governance support could address anti-corruption measures, improved oversight and accountability of national systems. The strategy design should build on lessons from the 10th EDF, including positive results (as PFM reform and rural roads). Efforts should be made to connect PFM reforms to sector level reforms, including operationalization of concrete planning and monitoring frameworks.

Rebalance the programming of the 11th EDF towards a more strategic and complementary engagement in peace-building, State-building, poverty reduction and gender-related issues. The strategy should aim to support the development of a non-oil economy for Timor-Leste.

Reassess the lack of EU involvement in education and language issues, inter alia in consideration of its implications for the goals of poverty reduction, economy diversification and job creation.

OPERATIONAL RECOMMENDATIONS FOR AGRICULTURE AND RURAL DEVELOPMENT

- Place emphasis in the Co-operation work on creating national capacities to support sustainable economic growth in rural areas with co-operation work embedded within the Ministry of Agriculture and fully supported by political dialogue and national engagement
- Focus co-operation work on sector reforms (see engagement in policy dialogue, R.5)
- Build the strategy for agriculture and rural development on a comprehensive in-depth sector assessment, including institutional analysis, developing the analysis in close coordination with other donors

- Establish capacities at central Ministry level for the functions of strategy development, planning, budgeting, budget execution and management by results
- Support sector governance and transparency in Co-operation efforts
- Examine the following possible broad opportunity areas for intervention: i) removing constraints on a market economy (i.e. micro-finance, rural roads), ii) land rights, iii) import subsidies, iv) input subsidies, v) sector governance, vi) livestock development (including small livestock) and pasture management, vii) forestry management, viii) vocational training and ix) niche exports (coffee, cocoa)
- Define the scope of support for rural road, which effectively address socio-economic development priorities for isolated rural areas, in coordination with other actors and as a function of the overall co-operation strategy
- Assess the strategic relevance of work on nutrition, including consideration of the distribution and root causes of malnutrition
- Treat instruments addressing food security, water and sanitation as of high relevance.
- Discontinued the 10th EDF intervention approach through the RDPs and delegated co-operation arrangements, given its limited relevance to the evolving context, limited effectiveness, lack of ownership and lack of incisiveness for sector reform and sustainable changes.

R 2.3 Seizing opportunities for the Women-Peace-Security agenda

Integrate the Women-Peace-Security agenda (UNSCR 1325 and 1820) throughout the strategy, establishing linkages and complementarities between currently disjointed actions for increased effectiveness and visibility.

R 2.4 Addressing effectively human rights, gender and environmental issues

The EU strategy should support efforts to end impunity for human rights violations committed during the Indonesian occupation, as a *sine qua non* for a sustainable foundation for peace, human rights, women's rights and State-building in Timor-Leste. Gender and environment should also be mainstreamed in strategy and intervention design, aiming to establish an appropriate policy and legislative framework and national capacities for promoting both agendas. Political and policy dialogue should actively support gender and human rights issues.

R.3 SUPPORT TIMOR-LESTE IN ITS INTERNATIONAL RELATIONS

Recognize the importance of the EU Co-operation for the independence of Timor-Leste, and develop a more strategic approach to supporting national foreign policy ambitions. (F.a.o.: EEAS / EU Delegation)

A clear strategy should be designed to support Timor-Leste foreign policy, in line with EU interests and co-operation priorities (see R.1):

- Resources (human and financial) mobilized should be adequate to the task
- The EU should further support, the country's ambitions to become a member of ASEAN in line with the Government's requests
- Regular political dialogue between the EU and Timor-Leste should be used to further understanding of, and harmonization with, each other's position on international issues
- The EU should also support the Government in forging further connections with other regions, such as the Pacific and the PALOP countries
- Regional instruments should be used more strategically to contribute to regional integration and international projections.

EU Co-operation should support learning and mechanisms of the "fragile-to-fragile" approach:

- The Government of Timor-Leste should be encouraged to help formulating this fragile to fragile approach, otherwise the allocation of resources to different countries and situations by Timor-Leste might be perceived as very arbitrary
- Undertake a review by the EU, Timor-Leste and Guinea-Bissau to assess the benefits of this fragile-to-fragile support provided by Timor-Leste and whether this approach could be of value for wider EU co-operation goals. The 11th EDF Mid-Term Review should take a close look at the Timorese Government's practice of fragile-to-fragile support, assessing positive and negative effects and how this may affect EU Co-operation .

R.4 ENGAGE EFFECTIVELY IN POLICY DIALOGUE

Establish a solid policy dialogue to underpin the effectiveness of financial assistance to Timor-Leste with the NAO and each relevant Ministry, but with the overarching support of the Prime Minister. (F.a.o.: *Senior EEAS management, and EU Delegation, in close consultation with Prime Minister, NAO and Line Ministries*)

The evaluation recommends the following steps for establishing effective policy dialogue in Timor-Leste:

- Policy dialogue should be framed by political support at the Prime Minister's level (see R 1), so as to pass clear indications to line Ministries for their full engagement
- Follow-up dialogue should first be established at political level within the Ministries
- Policy dialogue should support a clear agenda for policy development and a well-defined, although flexible, results framework
- Policy dialogue should be embedded in sector work and be based on trust, good work over time, relationships, and pro-active sector leadership. This implies a complete repositioning of the EU approach and the need to improve perceptions of EU performance
- Adequate resources should be allocated, with specific technical, policy and relational skills
- Formal dialogue needs diplomatic handling, and a good level of mutual trust and confidence should also be built up through informal mechanisms supported by personal relationships
- Management by results should also embrace policy efforts

Additional and complementary approaches for influencing policies should be devised and used strategically, including a follow-up to the Parliament's capacity-building and awareness-raising role with Members of Parliament on important issues. Broader public and national level awareness-raising campaigns could be launched to support specific themes (i.e. gender) and reform areas.

R.5 BUILDING STRATEGIC PARTNERSHIPS

The EU should invest in strengthening synergies with Member States, development partners and Civil Society, and in developing strategic partnerships for strengthening impact opportunities. (F.a.o.: *EU Delegation*)

R 5.1 Joint action with Member States;

The EU and Member States should work in a partnership based on a joint strategy, a well-coordinated action plan, and a common agenda for policy dialogue. The EU and Member States should aim to intervene as the main co-donors, *pari passu* with Australia, and in the process acquire a pro-active role and sector leadership (or co-leadership). Joint action should include programming and evaluation.

R 5.2 Stronger synergies with Development Partners

The EU Co-operation should invest in strengthening synergies with development partners, with whom assessments on improving the co-operation framework should be undertaken to create a foundation for building strategic partnerships and a point of departure for joint policy dialogue with Government (see R.2). Before entering into strategic partnerships, assess partners' capacities to work with the EU in implementing the EU's strategy and also the EU Delegation's capacity to effectively accompany the partner in EU-funded projects or programmes. Systematic assessment of partners' performance should inform new contracts and partnership development.

R 5.3 Build partnerships with Civil Society

Civil Society and its different organisations should be recognized as potentially relevant partners and co-operation with them should be promoted; for example:

- Establish a mapping of Civil Society
- Define strategy and a road map for establishing a real partnership with Civil Society
- Provide appropriate human resources to assist with the analysis, the consultation process dialogue, and support for Civil Society Organizations
- Establish platforms for dialogue with Civil Society
- Provide support to ease up procedures and develop capacities for designing interventions

- Establish mechanisms for improving dialogue between Civil Society and other institutions, and for supporting work on focal sector governance and development. Mechanisms and follow-up should ensure opportunities for capacity-building of local NGOs.
- Support Civil Society governance and accountability.

Recommendations on the implementation of EU Co-operation

R.6 PROVIDE ADEQUATE HUMAN RESOURCE FOR AN EFFECTIVE CO-OPERATION EFFORT

The EU should recognize the labour-intensive nature of co-operation with Timor-Leste and strengthen the Delegation's human resource capacities in line with the Timorese context and programme priorities. (F.a.o.: EU Delegation)

Additional human resources are required, both in number and skills, including specific expertise for focal sector management, gender, Civil Society, human rights and communication, to support effective formulation of EU strategy, programme design and management of co-operation efforts.

Human resources should be adequate, including at seniority and authority level, to allow effective leadership, policy dialogue and partnership development. Additional resources should partly be acquired by assignation of EU staff, partly through technical assistance through available financial instruments. Clear results-based job descriptions should be defined for all human resources.

R.7 REINFORCE AID MODALITIES AND FINANCIAL INSTRUMENTS

Project support and other aid modalities should be improved particularly on programme design, alignment, ownership and management by results. The process of strengthening implementation mechanisms will require more strategic use of aid modalities (including management modalities) and of financial instruments. (F.a.o.: EuropeAid, Regional and Thematic budget line desks, EU Delegation)

R 7.1 Open to a broader spectrum of aid modalities

The definition of the operational strategy should include development of the analysis of complementary use of other aid modalities including a Sector Programme Approach, including Sector Budget Support, and Blending – assessing capacities and setting out the skills required for their use in the context of Timor-Leste – and assessment of how to make strategic use of financial instruments. New modalities should be tested on a small scale, to assess their effectiveness in furthering co-operation goals and challenges related to their use. Diversification of aid modalities should be guided by strategic considerations as to their capacity to build synergies, promoting changes towards desired goals and strengthening the Co-operation's overall effectiveness.

R 7.2 Improve design and effectiveness of project aid modality

Improve design quality significantly: adequate resources should be made accessible for good design, including a participatory formulation process, contributing to building of intervention ownership within the institutions.

Project design should identify specific results relating to Civil Society, and its contribution to dialogue, sector governance, oversight and service delivery. Results frameworks, aligned with the co-operation strategy and the 2011–2030 Strategic Development Plan, should be strengthened in intervention design across aid modalities and in financial instruments. Management by results (focusing on outcomes) should be applied to all co-operation work.

The project aid modality should also be improved through larger interventions, strategically connected to co-operation goals, and integrating changes relating to institutional capacity-building and policy development. Projects and institutions should agree that operational costs associated with Co-operation efforts should be included in the national budget, with projects linked to national planning and budgeting systems.

R 7.3 Selective use of Budget Support

Budget support should be combined with effective engagement in political and policy dialogue as a potentially useful additional tool for promoting change and for targeted and limited interventions in support of strengthened State functioning, in particular the widening and deepening of PFM reform within sectors and the lower tiers of government.

SBS, possibly sourced from different donors, should be considered as an effective modality for mobilizing technical assistance resources under Government systems and procedures. This can help to strengthen national systems and fill capacity gaps within State institutions.

The EU, together with other international partners, should focus its dialogue with national stakeholders on promoting national awareness that this funding is essential to building and maintaining Government capacity in strategic areas. SBS could be introduced to leverage policy changes in agriculture and rural development as well as other thematic areas, but only once proven capacities are established.

Recommendations for a cautious and limited use of BS

The application of the BS aid modality should be considered carefully, in view of i) full availability of financial resources and lack of financial deficits on part of Timor-Leste Government, ii) current Ministry of Finance priorities for budget contraction, iii) the risk that EU support to the budget might encourage non-pro-poor spending (i.e. contracting sectors' recurrent expenditures, provision of aid and BS to other fragile States, large non-pro-poor investments, increased subsidies and social transfers) and iv) limited mechanisms of overview, control and governance of public

R 7.4 A more strategic use of financial instruments

The Co-operation should make more strategic use of thematic and regional instruments, aiming to build critical mass, avoid fragmentation and establish effective complementarities in support of sector changes. For each instrument the strategy should specify i) dialogue framework and possible contribution to policy development, ii) a flexible result framework related to sector goals, iii) capacity-building goals iv) opportunities for partnerships and v) complementarities to be developed with other instruments and non-financial efforts

R.8 STRENGTHEN CO-OPERATION MECHANISMS

Improved performance and increased effectiveness will require strengthening of NAO capacities, a monitoring system to support management by results and develop the strategic focus of evaluations. (F.a.o.: *EU Delegation in close consultation with NAO*)

R 8.1 Strengthen NAO office capacities

NAO capacities should be strengthened to support functions of strategy development, design of interventions, quality control, support for sector planning and budgeting, follow-up of interventions, dialogue with institutions, and learning. The EU should use the forthcoming Mid-Term Review of the 11th EDF to assess the relevance and functioning of the new NAO arrangement in support of co-operation goals, and opportunities for strengthening.

R 8.2 Develop a monitoring framework to track co-operation outputs and outcomes

A comprehensive monitoring system should be developed to support management by results and monitor progress towards co-operation goals. Indicators and targets should also be set to monitor policy development and co-operation processes.

R 8.3 Develop learning mechanisms

Additional learning mechanisms should be developed to accumulate lessons at sector and subsector levels, including (a) strategic mid-term review of i) governance and State-building support and ii) agricultural and rural development support; and (b) establishment of a follow-up system for key evaluation recommendations. Strategic evaluations should be carried out jointly with Member States, and with increased participation by the NAO and national institutions.

R 9 NEW DEAL: SHIFT FROM DISCOURSE TO PRACTICE

A clear results-based road map is established for strengthened mutual engagement in the New Deal for Timor-Leste (F.a.o.: *EU Delegation*)

The dialogue with the Government, including the political dialogue, should use the New Deal as a guiding policy framework for discussing issues beyond the provision of BS, namely how to ensure – together with other development partners – a more effective response to the various peace-building and State-building goals, which both the Government and the EU have signed up for. Policy discussions undertaken in the context of the New Deal should also be used to promote Government PFM reforms with a view to better link Central State institutions with Sector Ministries. Use the New Deal's peace-building and State-building goals and related indicators (to be formulated) as the base for political and policy dialogue and follow-up. Make implementation of the New Deal an agenda item of the Art. 8 dialogue.