

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No. and Name TA 3803-TIM: Economic Policies and Strategies for Development Planning			Amount Approved: US\$950,000 Revised Amount: US\$950,000	
Executing Agency: Ministry of Economy and Development	Source of Funding: JSF	TA Amount Undisbursed US\$107,357.07	TA Amount Utilized US\$842,642.93	
Date			Completion Date	
Approval 14 Dec 2001	Signing 4 Mar 2002	Fielding of Consultants 12 Nov 2002	Original 31 Mar 2003	Actual 30 Sep 2005
			Closing Date	
			Original 31 Mar 2003	Actual 23 Dec 2005
<p><b>Description</b></p> <p>On 14 December 2001, just six months before Timor-Leste's restoration of independence, ADB approved TA 3803, which aimed at building strategic vision and direction for economic development. The violence and destruction of 1999 had shattered the economy. The TA was prepared when the United Nations Transitional Administration in East Timor (UNTAET) was the governing body and when new ministries were being formed under the East Timor Transition Authority in readiness for independence. The then Ministry of Economy and Development was the intended Executing Agency (EA) for the TA; it became the Ministry of Development, headed by the Prime Minister.</p> <p>The TA's rationale was developed from a needs and assessment survey jointly conducted by ADB, the United Nations Development Programme (UNDP), the World Bank (WB), and the East Timor Planning Agency. The rationale also drew from TA 3512-TIM: <i>Strategies for Economic and Social Development</i>. Because of the range of technical competencies required and to maximize value-for-money, all TA-funded international consultants were engaged as individuals. This achieved more consultant inputs than originally expected, which together with a highly responsive implementation approach resulted in the TA completion being delayed.</p> <p><b>Expected Impact, Outcome and Outputs</b></p> <p>The expected impact of the TA was the implementation of short-term and medium-term economic strategies, founded on a sound medium-term (national) development strategy and plan. Three outcomes were intended: (i) improved skills and capacities amongst Timor-Leste's leaders to implement economic development and poverty reduction strategies; (ii) development planning, programming and project formulation undertaken according to a sound short-term action plan; and (iii) systems and procedures in place to monitor and evaluate the achievement of strategic economic objectives and action programs.</p> <p>TA outputs would be delivered in four components: (A) An executive leadership program; (B) a national accounting system; (C) a computer-based system for tracking foreign assistance; and (D) a medium-term development strategy and plan.</p> <p><b>Delivery of Inputs and Conduct of Activities</b></p> <p>The TA was adequately formulated. It was designed, developed, and implemented in close consultation with Timor-Leste and UN transition authorities, with the Government after independence, with other development partners including WB and key bilateral agencies, and with other local stakeholders. TA inputs adapted to the exceptionally fluid macroeconomic conditions affecting Timor-Leste during implementation.</p> <p>The TA design included 25 person-months of international consulting services and was to be implemented starting January 2002 over a period of 15 months, to be completed by March 2003. ADB TA administration changes, the changing political landscape in Timor-Leste, and challenges in identifying and retaining world-class individual specialists resulted in a late start for the TA--November 2002. A total of 31.7 person months of international expert services were provided. The TA, which was expected to be completed in 15 months, concluded in September 2005, 31 months and 3 extensions later. All TA-funded consultants performed satisfactorily, which is in line with their individual performance evaluation reviews. Two in particular – the senior fiscal advisor, and the senior petroleum fiscal advisor – engaged very effectively with the highest level political and commercial decision makers.</p> <p>Economic and political conditions changed rapidly during these first years of the new nation and the TA adapted, being particularly responsive to Government priorities within the original scope of the TA. Consultant TORs were refined as required. For instance, the Government had already approved the National Development Plan (NDP) and Poverty Reduction Strategy by the time the TA commenced. So Component D TOR and inputs were realigned to focus on designing and preparing a medium term program budgeting system, which became the government's key budget planning tool, the annual Sector Investment Program (SIP). At the Government's request, the TA also provided</p>				

specialists to work on individual SIP reports, including water supply and sanitation, transport, communications, power, and housing and urban development. Establishing a fiscal regime for the Government's Timor Sea petroleum wealth became the Government's highest fiscal priority during the TA implementation. The TA responded by providing intermittent petroleum fiscal advice that was instrumental in ensuring Timor-Leste maximized its wealth creation potential from the Timor Sea. On the other hand, civil unrest during December 2002 led to the cancellation of petroleum fiscal training. Information technology (IT) inputs were satisfactory.

The TA EA became less relevant during implementation. Rather, the inputs of individual implementing agencies hosting the TA advisors became crucial to TA success. They all absorbed and responded to the TA inputs adequately, notably the National Directorate of Planning and Coordination within the Ministry of Planning and Finance (MoPF), the Office of the Prime Minister, and the National Statistics Office (NSO). ADB's performance was satisfactory.

#### **Evaluation of Outputs and Achievement of Outcome**

The TA was implemented efficiently and it exceeded the expected outputs and outcome. The TA improved skills and capacity amongst Timor-Leste's leadership to implement economic development and poverty reduction strategies, though from a low base; and leaders did not develop to a point where they could go without external support. Economic development and poverty reduction literacy was markedly improved, particularly within MoPF, but the Ministry still relies overly on external support. This is due not to a failure of the TA but to an underestimation of the time and resources needed to develop self-reliance.

The TA succeeded in having development planning, programming and project formulation undertaken according to a sound short-term action plan. The annual SIP process is now the Government's accepted program budgeting tool. TA advisors were instrumental in achieving this. ADB support is continuing through the follow-on TA 4519-TIM: *Strengthening Financial Management Capacity* and at the time of writing, the focus had swung to SIP training in reporting agencies. SIP should emerge intact from the crisis of May-July 2006. The Australian Agency for International Development (AusAID) is now also supporting the SIP process.

The TA helped deliver important IT elements, though not a national accounting system, as such. A Registry of External Assistance was established and is being maintained. Trade Statistics outputs included the Automated System for Customs Data (ASYCUDA ) program installed at Customs, providing a system for compiling and disseminating quarterly trade statistics. Up until the May-July 2006 crisis, the NSO was regularly producing and disseminating good quality statistics. Training for NSO staff seems to have been effective. IT outputs within the then Ministry of Transport, Communications, and Public works improved that Ministry's ability to manage infrastructure assets, respond to disasters, communicate internally and across Government, and access knowledge.

In addition to the original TOR, the TA achieved highly successful outputs and outcomes relating to a petroleum fiscal regime for the Timor Sea petroleum wealth. Outputs include (i) a favorable revenue sharing agreement with the Government of Australia for the large *Bayu Undan* production field, (ii) favorable tax and royalty agreements with the *Bayu Undan* operators, (iii) negotiated outcomes on other commercial and financial aspects affecting *Bayu Undan* and other fields in the Timor Sea, and (iv) improved laws and regulations relating to managing Timor-Leste's petroleum wealth.

#### **Overall Assessment and Rating**

The TA is rated successful. Outputs exceeded expectations, except that a national accounting system was not produced. National accounting support was provided by AusAID and the International Monetary Fund. Although the TA took longer to implement, this provided for more relevant outputs.

#### **Major Lessons**

Institutional development and capacity development in post-conflict situations must be responsive to evolving priorities. Designs can easily overestimate the level of base skills and absorptive capacity. Longer-term engagement is more effective, and may warrant intermittent inputs from individual consultants.

#### **Recommendations and Follow-Up Actions**

Ongoing TA 4519-TIM: *Strengthening Financial Management Capacity* should continue to consolidate achievements in the SIP process and to strengthen the petroleum fiscal regime. Other development partners, including AusAID should be encouraged and guided to continue related public financial management support.