COUNTRY PARTNERSHIP STRATEGY FORMULATION

1. **Country Partnership Strategy (CPS) Preparation.** An initiating meeting on the zero draft CPS paper was held on 3 December 2014. A Country Consultation Mission was fielded in Timor-Leste from 19 January to 4 June 2015. This mission’s objective was to consult with the government, civil society, and development partners on formulation of the new CPS and an associated Country Operations and Business Plan (COBP). The mission was extended to allow sufficient time for consultations with a new government that took office in February 2015. The Authorities endorsed the proposed strategic directions of the new CPS and the draft COBP 2016-2018 in a memorandum of understanding which was signed on 23 June 2015.

2. **Analytical work and background studies.** The majority of sector and thematic assessment work was undertaken by ADB staff as part of their work programs. The Pacific Department (PARD) prepared a Final Review and Supplementary Self-Evaluation of the CPS 2011-2015 to draw lessons and recommendations to guide the new CPS. ADB’s Independent Evaluation Department (IED) reviewed these assessments and produced a separate validation report with additional recommendations. The table below summarizes these recommendations and explains how the new CPS has responded to them.

3. **Consultations.** Preparation of the CPS was guided by extensive consultations with the government, private sector, civil society, and development partners. Country consultations confirmed strong support for the proposed sector and thematic focus of the new CPS. Staff at ADB’s Timor-Leste Resident Mission (TLRM) held initial meetings with senior government officials in December 2014 to brief them on the process for CPS formulation and exchange preliminary views on the sector and thematic priorities for the new CPS period. This was followed by more in depth discussions with central and line agencies during the Country Consultation Mission and bilateral meetings with representatives of the major development partners in Timor-Leste to ensure harmonization and explore potential partnerships. ADB also organized a consultative workshop for civil society organizations (CSOs) on 19 January 2015 to share key findings from the sector and thematic assessments and present ADB’s indicative strategic directions. Invitations for this workshop were issued through the Timor-Leste NGO Forum and attendees were also invited to request bilateral meetings with ADB staff if they wanted to discuss a particular issue in more depth.

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<th>IED Validation Recommendation</th>
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<td>Recommendation 1: ADB needs to develop options to broaden its sector focus beyond national roads and create opportunities to build synergies with other sectors, such as agriculture or education, where it has a history of engagement and which are critical to the development of the economy. The diversification and inclusive growth agenda must be more effectively mainstreamed into the design of program and project initiatives. There is a need to avoid the mismatch between project level outputs and outcomes and their contribution to these broader sector and national level outcomes. Further, monitoring and evaluation must be made a more serious exercise and a future CPS must incorporate</td>
<td>ADB’s sector focus already extends beyond national roads. Support for urban services and energy is expected to increase in response to new absorptive capacity that ADB has helped to create. Cross-sector synergies are desirable and have already been a feature of ADB project designs and the support for technical education. The new CPS directs ADB support to sectors that underpin diversification and inclusive growth. All ADB financed projects will be aligned to ADB’s inclusive growth framework. All projects and programs will support achievement of the government’s own strategy for inclusive growth and diversification. Where appropriate, support for inclusive growth and diversification will</td>
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a results framework that has clear and monitorable targets. Targets at the country, sector, and program and project level need to be aligned, and realistic about what is expected to be achieved. Mechanisms must be put in place to collect the necessary information to measure progress according to the indicators.

**Recommendation 2:** The focus on capacity development and government-led implementation must be strengthened to ensure effectiveness and greater efficiency on implementation. Project management units should be mainstreamed with the government’s administrative structure. Any improvements related to implementation of ADB projects should directly engage government staff and systems as this would help in highlighting the gaps in systems. Through its own projects, ADB can support the strengthening of the monitoring and evaluation capability of the executing agencies and this can have wider positive ramifications for non-ADB projects as well. Technical assistance need to be focused around the core areas of ADB support so that complementary capacity development initiatives can be implemented.

ADB will continue to support long term approaches to capacity development. Policy dialogue in urban water, roads and electricity will continue to emphasize the development of strategies and modalities that reduce public sector capacity requirements. While capacity substitution through project management units is likely to continue, ADB will work with the government to strengthen the capacity development impact of ADB financed investments.

**Recommendation 3:** Asset management and operation and maintenance (O&M) funding has to be a priority in project design and in the policy dialogue with the government in order to ensure sustainability of project outputs and outcomes. One of the key outputs of the next CPS period needs to be a government-led and development partner-supported asset management and O&M strategy that includes a credible financing plan. Given the level of infrastructure investments a dedicated fund for O&M should be considered following a government assessment of its O&M requirements and the necessary financing. As the lead donor in infrastructure, ADB can support greater and more focused development partner discussions in this important area and highlight policy initiatives for the government.

Achieving sustainable O&M will be a key focus of ADB’s support for infrastructure services during the new CPS. Sustainability must be addressed at the sector level rather than at the project level. ADB’s policy dialogue must also acknowledge that the specific requirements vary significantly between sectors and that a single strategy or maintenance fund may not be the best approach. For electricity and urban water supply, ADB will continue to help the government to engage private sector expertise through public private partnerships that can ensure high quality O&M. In the road sector, ADB will help the government to review financing options and develop the capacity to design and implement a sustainable and cost effective maintenance program.