

Attachment 1: Comments from Government



República Democrática de Timor-Leste
Ministério das Finanças

Gabinete da Ministra



"Adeus Conflito, Bem-vindo Desenvolvimento"

No: ~~77~~ / GMF / 2011

26 May 2011

Mr. Jaime Jaramillo-Vallejo
Lead Economist, IEGCR
World Bank Group

Dear Mr. Jaramillo-Vallejo:

The Government of Timor-Leste welcomes the opportunity to respond to the submission of the Timor-Leste Country Program Evaluation, 2000-2010 produced by the Independent Evaluation Group (IEG). It was considered by the Government of Timor-Leste that our most appropriate response would be to comment on the general nature of the report rather than delve into the specific details of what is clearly a comprehensive and substantial document.

The Government of Timor-Leste would like to commend the IEG and its Staff, The World Bank Group and its Staff, the International Finance Corporation and its Staff for participating in an honest, transparent, "frank and fearless" account, review and appraisal of the decade-long Timor-Leste Country Program.

It should be noted that many of the issues and challenges presented in the Report are not specific to the World Bank Group Country Program but symptomatic of all international actors navigating the difficulties and challenges of development in a post-conflict and fragile environment. The content of the Report and its findings should be utilized by all international actors as a thought provoking and insightful document, in retrospect of the Nation's advancements in 2011. With this in mind, the exercise will no doubt lend to better development outcomes within the context of fragile and conflict affected States and regions, with enhanced international engagement and cooperation from all international actors that choose to take note of the formative "lessons learnt" shared by the World Bank Group.

The World Bank Group is the first to take ownership by producing such a seminal document with a comprehensive internal monitoring and evaluation process demonstrating not only prodigious leadership within the international donor community but an uncompromised willingness to reflect and reform for not only the benefit of Timor-Leste's national development in the second decade of engagement; but all country-led programs for better outcome-based solutions.

Background

1. The IEG is charged with evaluating the activities of the International Bank of Reconstruction and Development (IBRD), the International Development Agencies (IDA) of the World Bank, the work of the International Finance Corporation (IFC) in private sector

development, and the Multilateral Investment Guarantee Agency (MIGA) projects and services. The Director-General of IEG reports directly to the World Bank Group's Board of Directors. The goals of evaluation are to provide an objective assessment of the results of the Bank Group's work and to identify and disseminate lessons learned from experience.¹

2. In 2009, the Government of Timor-Leste assembled a Reports Review Team (RRT) to work in tandem with members of Government, members of the civil service and national and international advisors to evaluate, monitor and provide analysis on seminal international reports. The RRT was asked to **A}** to review The IEG Timor-Leste Country Program Evaluation, 2000-2010 on the merit of compilation and **B}** to add value where appropriate to contribute to good international engagement in the pursuit of identifying "lessons learnt from experience" and provide brief general comment where applicable to add value. It was clearly mandated in the brief to refrain from intervention on the internal appraisal of World Bank Monitoring and Evaluation conclusions and recommendations which would be considered contravention to best practice.

3. The Timor-Leste Country Program Evaluation, 2000-2010 begins with an Executive Summary and is presented in seven chapters. **1}** Context; **2}** World Bank Group Strategy and Program; **3}** **Pillar I.** Provision of Basic Social Services, Social Protection and Alleviation of Poverty and Unemployment; **4}** **Pillar II.** Governance and Development of State Institutions; **5}** **Pillar III.** Sustainable and Diversified Non-Petroleum Sector for Job Creation and Economic Growth; **6}** Donor Coordination: Alignment and Harmonization and **7}** Conclusion

Merit of Compilation; Findings

1. The methodology of compilation is thorough and based on best practice international principles of collation with examination using qualitative, quantitative and evidentiary based research where available.
2. In depth research with transparent methodologies are evident, where data and material cannot be sourced, transparency is consistent with best practice, with accurate citing and honest assessments inclusive as to the reasons data cannot be sourced.
3. The examiners have conducted un- biased and relative interviews (total cited:105) with honest feedback from a cross sector of stakeholders; providing fair and unhindered assessment with varying viewpoints from which to draw recommendations and conclusions.
4. World Bank Staff and leadership have, by all accounts within the documents, provided an honest and true assessment without hesitation and in good faith as to the overall objective to contribute to better international engagement and interventions. This was considered a most notable achievement in transparency and accountability; rarely displayed in an international reporting mechanism; particularly within a monitoring and evaluation process. The willingness to contribute was a demonstration of a renewed culture of accountability within World Bank systems
5. Sourcing is consistent with best practice and applicable to the overall review process with detailed footnotes providing transparency and clarity for readers.

¹ <http://ieg.worldbankgroup.org/content/ieg/en/home.html>

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6. Report details are consistent with best practice in detail and research to support conclusions and recommendations.
7. The report as an international document should be used as an example for international actors as best practice in methodology and report mechanisms; to contribute to independent and non-biased conclusions and recommendations while adding value to in-country review of aid effectiveness through genuine partnership for both Government and the World Bank Systems.
8. The report will add value to best practice in international M and E and should be used as an example for international actors to follow suit with equal commitment to "lessons learnt".

Adding Value Through Lessons Learnt, the Timorese Experience

1. Data

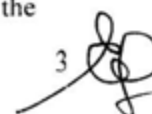
This document, like all documents produced by international actors, does display a lack of detailed data or qualified analysis to contribute to some conclusions. Given the length (ten years) of the coverage of the document, it would be impossible to access accurately the information or the contribution necessary to respond to the entirety of the IEG findings or to fairly provide a Government response to one period of time at the exclusion of the other periods which is why this Government response provided is under the guidance considered 'general in nature.'

However; a continued theme throughout the report was the lack of data available to international actors from which to devise actions and intervention. Data is a necessity for both international actors and the Government to guide intervention and public policy. Without qualitative and quantitative, timely and evidentiary data; it is near impossible to accurately determine intervention or the necessity and impact of an intervention in the short, medium or long term. Timor-Leste has consistently debated reports which have used outdated data and statistics to represent real time status of the Nation; the World Bank has responded by making a concerted effort to contribute to meaningful and up to date reporting to inform decision makers.

Indeed, the World Bank in 2009 contributed to data enhancement with the following example: the most recent World Bank Poverty Assessment in response to identify the effect on the economy and poverty levels as a result of newly exercised social and expansionary fiscal policies in Timor-Leste demonstrated a 9% reduction in poverty. These findings were instrumental in monitoring and evaluating public policy for the Government and an immediate response to identify social investment returns for the Government. Such data proves invaluable for all international partners. The Government considers the support of accurate data collection one of the single most important contributions that international actors can make at any stage in development in order to determine intervention and budget accordingly.

2. Cross Sector Analysis

Whilst immediate intervention with a minimum of constraints is necessary in post conflict scenarios, to date, there has never been a comprehensive cross sector analysis on the mandatory needs of the Nation in order to achieve the key performance indicators necessary to build the

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non-oil economy and emerge from fragility and conflict. All sectors are inter-related and with intervention to one without attention to another; fragmentation results in little progress as demonstrated in the 2007 Timor-Leste Standard of Living Survey which showed poverty had increased significantly. In mid 2007, the Government of Timor-Leste began the process of long term Strategic Planning with one of the largest obstacles; the challenges of cross sector analyses planning and prioritization. One of the most astonishing aspects was the lack of research from international partners available in this area of cross sector analysis which could be evaluated. The World Bank has proven to be most successful in this area of high level expert advice and might consider concentrating efforts on such endeavors which would provide short, medium and long term results.

An example: in 2010 at the request of the Minister of Finance, the World Bank responded to a direct request with two high level short term advisors engaged to provide very specific high level advice. The World Bank acted without hesitation. The advice provided within a small, high level forum of delegated Government officials and advisors was instrumental to assisting country-led devised strategies, providing various development options to consider based on the Nation's set key performance indicators and provided examples to contemplate with economic modeling in concert with national experts to lend to internal debate on strategic direction. The conclusion was the World Bank could be most effective at this high level of advice and should consider pursuing this model with a cross sector analysis team to evaluate the needs of post conflict and fragile nations before interventions are created and implemented.

3. Infrastructure

Another theme throughout the report was the lack of infrastructure after the decade long intervention. The interventions and programs by international actors which ultimately aim to ensure, amongst other things, poverty reduction, employment opportunities, food security, private sector growth, good governance; all rely on the provision and upkeep of sound infrastructure and connectivity allowing national integration. Without addressing the core elements that drive the social and fiscal economy of any State, a State cannot evolve to meet essential key performance indicators. Intervention if complimented by a cross sector analyses, can inform country-led strategies; the rate, pace and cost of infrastructure aligned to the Governments country-led strategy would aid in designing both country-led strategy and international intervention. World Bank has the expertise and experts to form a team that can assist post conflict and fragile states in immediate analyses of infrastructure needs cross sectors. Timor-Leste has been the beneficiary of this expertise in sector isolation but not in a formalized cross sector strategy led advisory environment. For a young nation, fragile in institutions the breadth of the process is both a huge cost and a huge process secondary to the immediate mission of governing a country from fragility, establishing institutions and managing day to day operations of service delivery. For international actors to expect a fragile Nation to undergo this process in 2011; when they themselves had not adequately addressed this challenge in a harmonized way before designing intervention over a decade with 26 donors to share the assignment; it is fair to say; international actors did not provide either a fair or reasonable best practice example for strategic planning or implementation for the Government.

4. Country Context



There is no doubt that over the last decade and with the creation of the Paris Declaration of 2005, The Accra Agenda of 2008, the Dili Declaration of 2009 and the creation of the g7+ which Timor-Leste leads, 17 conflict affected and fragile States that have come together to share experiences, influence global policy and help reform international intervention which the World Bank has supported at the highest level; the paradigm has shifted, with international actors striving to understand and adapt to the country context. However; there are still barriers. Organizations continue to expect Nations to operate within their own complex systems adding a significant workload to national staff.

In the experience of Timor-Leste, urgent requests are still met with unreasonable bureaucratic restrictions often considered by the Government and international advisors as unreasonable and insignificant to transparency, accountability or best practice. In effect; the World Bank systems must be adaptable to Government requests; especially when requests are reasonable for all stakeholders but not executed because of World Bank bureaucratic systems which restricts progress on integral aspects of nation building or state building functions. Often direct requests from leadership for simple but integral interventions are ignored or labeled "not within a program brief"; but alternative programs are proposed. This causes frustration and a seemingly considerable lack of communications or understanding of the "country context" with shifting and at time urgent needs.

It is not surprising as the Government has strengthened institutional capacity and systems, country-led agendas with national staff clearly aligned and able to identify in-country needs; the State has engaged other means to provide what traditionally international actors would have provided; avoiding the extended delays and parallel workloads to ensure the National needs are met with country-led strategies and within country led systems that are navigable.

World Bank can re-engage within a rapidly transitioning environment but should do so by responding equally to the transition with better country context and engagement based on Government led strategies. Trust must be rebuilt as the advice has not always provided results; and advice should be driven to enhance and support the Government agenda as mentioned in the example discussed in part 2. Less focus should be on programming and more on the core business of the World Bank which is providing high level advice from international experts relevant to the country agenda and supporting the Government to deliver core services to further reduce poverty and improve the livelihood of citizens.

5. Communication

International actors must focus on communications to advance better in-country engagement and harmonization. Often the communication structures are not conducive to enhanced development outcomes simply because language, tone and intent can be construed as demeaning in advocacy of agendas and condescending in the assessments used to deliver key messages in reporting mechanisms. Combined, this often leaves a lasting impression that the organizational vehicles of international actors are providing oversight rather than insight and overriding their trusted capacity to harmonize with country-led strategies.

In the case of Timor-Leste, country-led agendas have, in many instances, provided successes, averting further crises and reducing poverty. Many of the country-led strategies were both



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publicly and privately strongly advised against by many international actors; those same organizations now praise the efforts and successes. Reform at the most basic level of communications, would enhance relations and provide long lasting benefits.

World Bank Staff must be diligent in communications to international advisors, Government and their own staff in-country as the system is inner-related and often compounds misunderstandings and mistrust. In-country teams and headquarters must be closely aligned and systems and departments cannot be designated or presented as independent to one another.

If the organizational chart within World Banks system necessitates this for their own institutional framework it is understandable; however, it is unreasonable to expect a fragile Nation and its People to navigate or understand the complex institutional framework for in-country development and outcome based solutions; especially when they sometimes fail to deliver; or worse cause deep division and political tensions as occurred in 2008.

In discussing communication, when international actors advocate transparency, accountability and measures of reporting, auditing and good governance, they should also apply these principles internally, practiced and exercised in good faith. An example is the transparency portal which the Government recently launched to provide all budget execution and information on-line, in real-time. Disbursement and fiscal activity should be equally as transparent for international actors.

6. Success

There is no doubt there have been successes to international engagement. The Public Management Capacity Building Program under the Ministry of Finance has been a highly successful program, managed by the Ministry with ownership, accountability and technical support from the World Bank. The program shifts as to the needs of the Ministry and the institutional reforms. Huge institutional gains have been made with capacity building and all the public finance indicators have improved year on year since the program has been adapted in 2007. The success was based on trust, continual evaluation as to the needs of the Ministry and ownership of the program to implement Government reforms.

Conclusion

Nation building is, on average, a thirty-year process which needs consistency, commitment, and genuine rules which should be followed to avoid the difficult lessons learned by all countries emerging from conflict and fragility. Expectations should be re-evaluated with time and patience within the country context required for long-term plans, whilst agility is required when short-term interventions need to be activated urgently to avoid the disparaging ravages of poverty and war from affecting the People and leading to a return to conflict. Action should be unhindered but not independent; supporting the Government to enhance service delivery and reinstate trust in the State. Short-term action should not; however, preclude international actors from rebuilding and engaging in interventions that are absolutely necessary; with the provision of quality cross sector analyses and data being two of the most essential statebuilding resources to contribute to better interventions. Infrastructure is a mandatory precursor to any long term



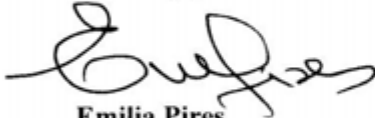
development solutions. Without infrastructure, fragmentation and proliferation of sector interventions and investments becomes redundant in many instances.

Better communications in all aspects of dialogue and reporting mechanisms will add value to improved relationships between international actors and recipient countries and of utmost importance is the harmonization process with international actors aligning to and supporting in country systems and national agendas to execute nationally led strategic planning.

With this Report, and on behalf of the Government of Timor-Leste, we would like to thank the World Bank for this contribution and for providing leadership amongst international actors in Timor-Leste with a good faith effort to enhance aid effectiveness as well as providing a guide to a monitoring and evaluation process that could greatly enhance international accountability and engagement in fragile states.

Thank you.

Sincerely yours.



Emilia Pires
Minister

cc. H.E. Xanana Gusmao, Prime Minister, RDTL
H.E. Jose Luis Guterres, Vice-Prime Minister, RDTL