



***Operationalising Strategic Development Plan  
for Effective Results***

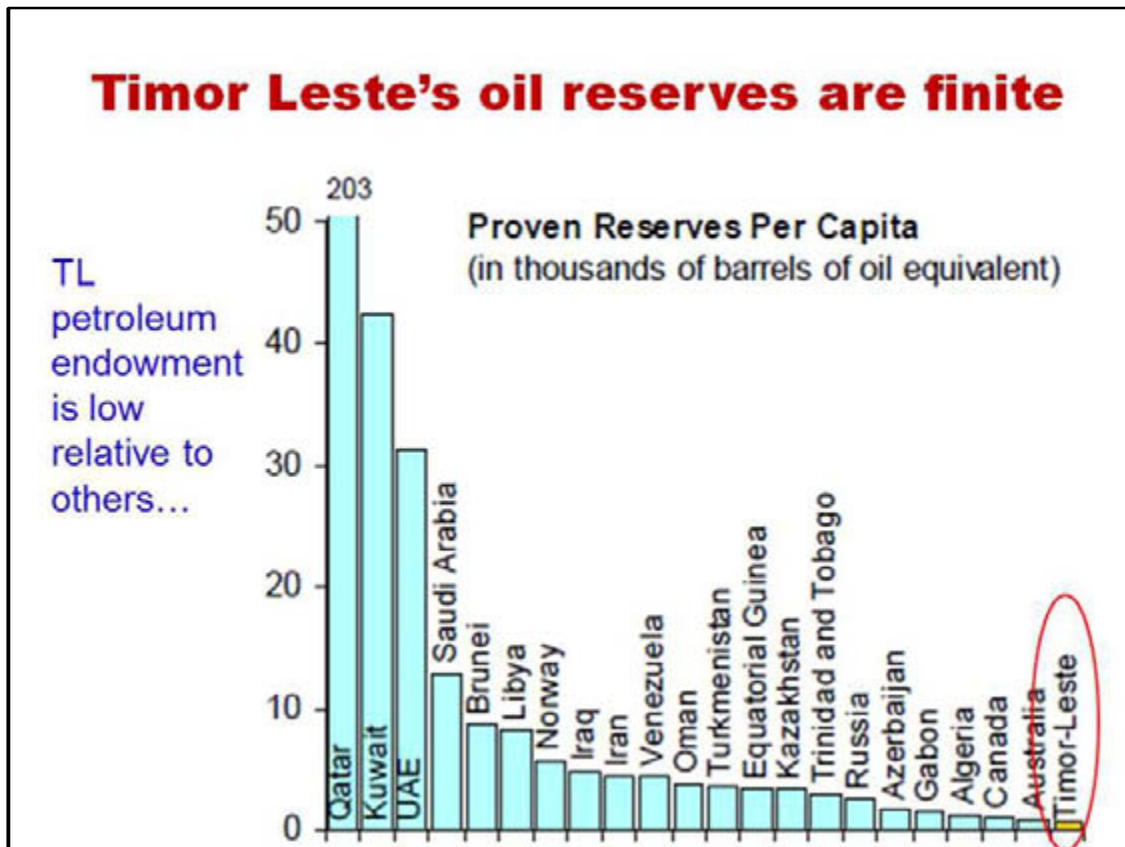
**Presentation by Development Partners**

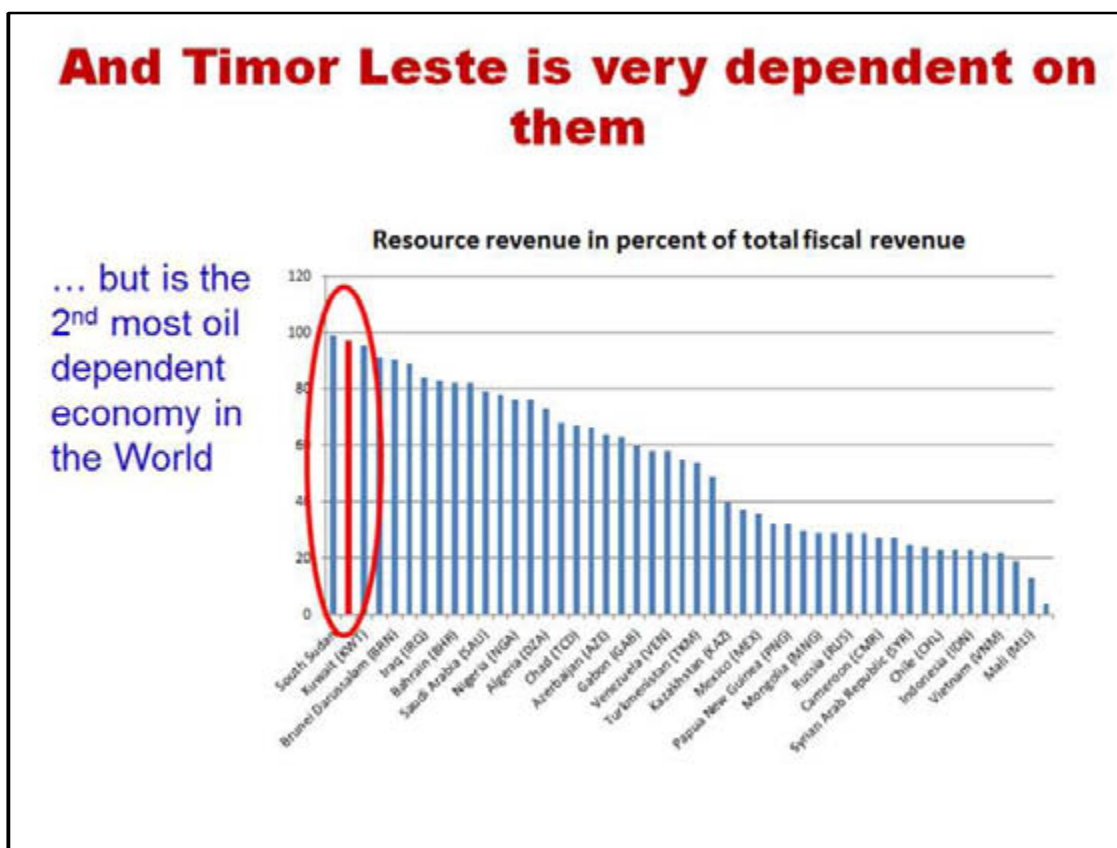
**Economic Strategic Sector**

presented by **World Bank Group**

**Timor-Leste & Development Partners Meeting  
(TLDPM)**

**Dili Convention Centre, 18-20 June 2013**



**Development goal:**

- Inclusive and sustainable growth with equal opportunities for all

**By:**

- Rebalancing the economy from oil (exhaustible) to agriculture, tourism and downstream petrochemicals as sustainable sources of growth (and jobs)
- Reducing dependency of Government revenues from oil towards other sources
- Providing quality public services for all (education, health, water and sanitation, others)

**Agent:** private sector (farmers and businesses)

**Enabler and facilitator:** Government

(1) Macroeconomic stability (e.g. managed inflation)

(2) Enabling policy environment (e.g. trade, land, investment, contract enforcement, others)

(3) Doing the right things (building the foundations)

- Skilled human resources (session IV)
- Infrastructure for growth and services (session III)
- Good governance (session II)
- Jump-starting the strategic sectors (session I)

(4) Doing things right

- Effective, efficient implementation

## **The SDP aims at diversifying the economy**

- **Outcome:** Rebalancing the economy from oil to private sector activity in agriculture, tourism and downstream petrochemicals as sustainable sources of growth, jobs and revenues.
- **Development goal:** Inclusive and sustainable growth with equal opportunities for all

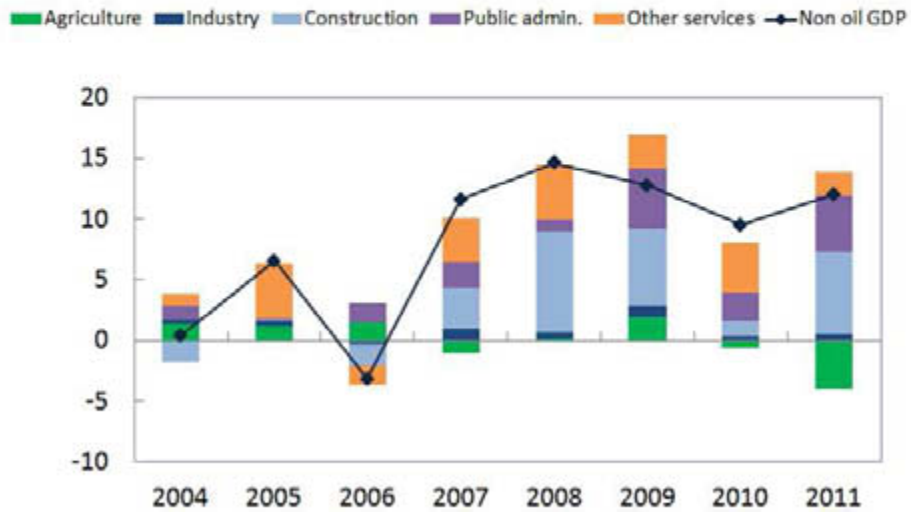
## **With the Government as enabler and facilitator**

Good policies and investing in skills, infrastructure and governance/institutions (building the foundations - sessions II, III and IV).

## **And the private sector as the engine**

Farmers and businesses; domestic and foreign investment in agriculture, manufacturing and services

## But organic private sector investment is modest and this needs to be addressed



## **There have been important achievements (to which DPs contributed)**

- **Economic policy**: World class oil revenue management and EITI compliance; macroeconomic stability; non-oil growth above 10%; open trade regimen; critical legislation; functional institutions (MoF), public financial management, poverty analysis, statistics.
- **Building the foundations**: health and skills; infrastructure; governance (sessions II, III and IV)
- **Private Sector**: Chamber of Commerce and SERVE(One Stop Shop); strengthening IADE as business development service provider
- **Rural development and agriculture**: rural youth employment; rural roads; improved seeds; early warning and coordination on food and nutrition security; irrigation development; storage systems; cash crops including horticulture and coffee; microfinance for rural livelihoods; technical assistance to MAF; extension services; aquaculture

DPs are supporting economic policy, sectoral policies, governance and institutions, social sectors and infrastructure (Sessions II, III and IV) helping Government **create the enabling environment and build the foundations** for a diversified economy grounded on agriculture, tourism and petrochemicals.

## **And DPs could be more effective if key challenges are addressed**

### **On the government side:**

1. Weak human capital, weak systems and centralized decision-making
2. Budgets not fully aligned with goals and insufficient budget for recurrent costs
3. Unclear responsibilities, lack of coordination across Ministries, inconsistent policies (e.g. rice subsidies)
4. Insufficient reliable data to support analysis for informed decisions and evidence based development (but very good Dep Statistics)

### **On DPs side :**

5. Support for capacity building could be expanded, improved and made more systematic.
6. Complex DP activities, inconsistent with the pace and capacity of Timor-Leste institutions, and insufficient harmonization.
7. Insufficient donor coordination in the country and between HQs and country offices address constraints for good and timely services

1. Problem of capacity to implement (public and private sectors), lack of human capital and lack of capacity of technical staff. Extension system is barely functional (because of capacity problems), farmers cannot access knowledge and production inputs and there is very little expenditure on Research and Development.
2. Contradicting agriculture policies are disincentives to Timorese farmers to produce more and MTCI's local buying program is not working. For example: government want to promote rice production but continues to import cheap rice. It frustrates farmers who are unable to sell their products and markets could be destructed. How to motivate farmers to increase their rice production if there are no markets for commodities? –
3. The budget in agriculture is stagnant despite government saying that agriculture is a pillar for development. Recurrent costs are essential for some services such as agriculture extension
4. Issue of using reliable data, communication and monitoring. The will to reflect what is being done is not optimal and this has implications on the political decisions.



## **DP's comparative advantage**

DP contributions are a small percentage (ca 10%) of total public expenditure

Highest DP added-value: expertise, analysis, capacity building, pilot projects, assistance in implementation.

- **Development partners comparative advantage**
  - Thanks to Timor's oil wealth DP contributions are a small percentage of the total public expenditure and financing is not the most important thing DPs contribute to. Actual share of DP contribution - in 2013 budget it was 203m of 1851m
  - The highest value added comes from expertise, analysis, capacity building, demonstration projects, or assistance in implementation.

## **The way forward – how DPs can contribute to the SDP**

- **FOCUS – One Vision and One Plan**

- Assist in prioritizing objectives and targets in SDP consistently with overarching goal of a non-oil economy led by the private sector
- Assist in developing Results Frameworks for SDP with a small number and hierarchy of outcomes and indicators and a M&E system
- Assist in costing and financing options for the SDP
- Assist in developing sectoral plans to implement the SDP
- Align DP activities with SDP goals and outcomes
- Contribute to regular sectoral working groups and quarterly DP meetings led by Government

- **FOCUS – One Vision and One Plan**

- All DPs support the SDP and are aligning their assistance with the SDP goals.
- SDP needs to be operationalized at the sector level in a process led by Government in dialogue with DPs and other stakeholders. Keep momentum at sector level: Government needs to be more proactive in leading DPCM sectors.

## **The way forward – how DPs can contribute to the SDP**

### **TRUST – Strengthening of capacities**

Strike a balance between:

- Human and institutional capacity – long term
- Delivering quick results – short term by “outsourcing” implementation

Through:

- a **Compact between DPs and Government**, with clear rules of engagement for capacity building including “outsourcing” strategy (reference: TA policy paper)

### **TRUST – Use of Country Systems**

- Joint Government/DPs analysis of risks in Country Systems
- DPs to assist in mitigating risks, strengthening and building the capacity of Country Systems and delivering through those systems

### **TRUST – Strengthening of capacities**

- DPs are aligned with SDP but face a struggle in implementation:
  - Human and institutional capacity (quality and quantity) – long term requiring pacing according to what government agencies can handle
  - Urgent delivery of services and infrastructure while the capacity is not there – short term by delivering results quickly but “bypass” Government staff and systems.
- For capacity building we need a compact between DPs and government, with clear rules of engagement (TORs) building on the TA policy paper MoF prepared in 2011 - **capacity building strategy across Government** .
- For urgent delivery the approach is to “outsource” implementation and administrative and regulatory functions to private contractors, advisors, PIUs, international organizations, NGOs, etc. but need an “outsourcing” strategy
- What to do in Government and what to outsource, how to gradually move from one to the other, and how to create incentives for the “outsourced entity” to do capacity building?