

TIMOR-LESTE LOCAL DEVELOPMENT PROGRAMME
TECHNICAL REVIEW MISSION REPORT

August 2006

Report prepared for UNCDF by:
Mike Winter (Affiliate Adviser, Asia)

Acronyms and abbreviations

DA	District Administration/Assembly
DFO	District Finance Officer
DNAF	National Directorate of Administration & Finance
DNAT	National Directorate for Territorial Administration
FY	Fiscal Year
GoTL	Government of Timor-Leste
IGFT	Inter-Governmental Fiscal Transfer
ITA	International Technical Adviser
ITWG	Inter-Ministerial Technical Working Group
LA	Local Assembly
LDF	Local Development Fund
LDP	Local Development Programme
LGOS	Local Government Options Study
LOC	Local Oversight Committee
LPFM	Local Public Financial Management
LPP	Local Planning Process
MC	Minimum Condition
MoPF	Ministry of Planning & Finance
MSA	Ministry of State Administration
O&M	Operations & Maintenance
PIC	Planning & Implementation Committee
PM	Performance Measure
PMU	Programme Management Unit
PWD	Public Works Department
SDA	Sub-District Administration/Assembly
TRM	Technical Review Mission
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VAT	Verification & Appraisal Team

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TECHNICAL REVIEW MISSION REPORT

6. INTRODUCTION & BACKGROUND

This short document constitutes the report of a Technical Review Mission¹ (TRM) fielded by UNCDF in July-August 2006. The mission was able to visit Lautem District and to meet (in Dili) with District and Sub-District administration officials from Bobonaro. In addition, the mission met a range of LDP stakeholders to discuss programme implementation². As usual, the mission would like to thank all those who so generously gave their time to discuss issues and would especially like to thank the LDP PMU for its support and cooperation.

The Timor-Leste Local Development Programme (LDP) has now been operational for almost two years. The LDP currently covers two Districts (Bobonaro, included in the programme since 2004, and Lautem, which was added in 2005) – in all, these two Districts include 2 District Assemblies and 11 Sub-District Assemblies. For 2006-2007, local Assemblies in both Districts will be implementing their investment plans/budgets, which were drafted in 2005-2006; in addition, the LDP will also cover two more Districts (Manatuto and Aileu – which together will add 12 new local Assemblies), where LDF allocations will be made available during FY 2007-2008.

This document needs to be read in conjunction with the following reports:

- *Annual Report 2005 – Local Development Programme Timor-Leste (LDP-TL)*, UNDP/UNCDF (February 2006);
- *Timor-Leste Local Development Programme – Technical Support Mission Report*, UNCDF (July 2005).

The TRM stresses that the LDP Annual Report for 2005 provides a comprehensive (and refreshingly self-critical) overview of the programme and its activities until the end of 2005 – it therefore does not seem necessary for the TRM to go into exhaustive detail but instead to focus in on larger issues. Hence the relative brevity of this document.

7. PROGRESS SINCE INCEPTION

In general, it would be fair to say that the programme has made impressive progress since its inception. Several factors underlie this:

- Much of the credit for good progress must go to the programme's technical assistance and support unit (the ITA and the LDP team), which has proved itself to be highly competent, hard working and dynamic. The LDP team has ensured that District and Sub-District Assemblies and administrations have received timely and appropriate support (in the form of both training and mentoring), and has

¹ Consisting of Roger Shotton (UNCDF Regional Technical Adviser for Asia) and Mike Winter (UNCDF Affiliate Technical Adviser for Asia).

² The mission was also responsible for drafting a new programme document for the LDP, which is to be formally merged with the ongoing Local Government Options Study (LGOS) programme.

done a very good job of providing them with user-friendly guidelines and procedures for the planning, budgeting and implementation of small-scale infrastructure.

- In addition, the Ministry of State Administration – and especially the Minister herself – has been highly supportive of the LDP, which is increasingly regarded as being a government programme, for which the Ministry takes responsibility. DNAT and DNAF have provided the LDP with a suitably enabling institutional environment within which to operate, and have ensured the active involvement of local District and Sub-District administrative staff.
- Another factor that has been instrumental in enabling good progress on LDP implementation has been the dedication and capacity of MSA (and other GoTL) staff in the Districts and Sub-Districts. Contrary to what most central government and donor agency officials believe, the TRM is convinced that local MSA staff do have considerable “capacity” – what has been so cruelly lacking at the local level has been back-up, resources and sensible systems and procedures, all of which have been provided by the LDP and which have given local government officials the tools they need to support Local Assembly processes. Most of the local MSA staff in Lautem District, for example, are of high calibre – and have done an impressive job in supporting the first year’s planning process of Local Assemblies in the District.
- Finally, and although far from “perfect”, the active involvement of local people – Suco Council members, Local Assembly members – has been a significant factor in LDP progress. In general, “ordinary” citizens have actively engaged in the local planning process – articulating and prioritising their needs, engaging in debate, and making hard decisions about the use of limited budgetary resources.

However, the progress made by the programme might have been still more impressive were it not for a number of external constraints, *inter alia*:

- Political instability and violence during 2006 have disrupted – and continue to disrupt – LDP activities (like all other development activities in Timor-Leste). Activities in Bobonaro, in particular, have been severely affected: Local Assemblies were only able to hold two (rather than the scheduled three or four) meetings during FY 2005-2006 and administrative offices there have yet to re-open. The closure of the District Administration office, in particular, has had a detrimental impact on LDP implementation, because (to date) no contractors have been paid for their services (rehabilitation of schools, construction of irrigation canals, etc.). At the level of central government, political instability has also affected progress in LDP implementation in Bobonaro – the three projects (each costing more than \$ 10,000), for which procurement was to be managed by the National Procurement Division, have yet to be tendered. Lautem – in the far eastern part of the country – has been less affected, but political uncertainties and instability have nonetheless made it difficult for the LDP team to follow up on programme activities there. Violence in Dili also made it impossible for some members of the LDP team to remain *in situ* throughout the year. Whilst the “situation” (as it is termed in Timor-Leste) appears to be calming down, underlying tensions continue to simmer – and it is, indeed, quite possible that LDP progress (especially in Bobonaro) will be hampered during 2006-2007.
- Funds for block grant allocations to Local Assemblies in Bobonaro (from both UNDP and UNCDF) were late in being correctly transferred to the Government. In

the case of UNDP, there was an error in the transfer process, which resulted in MoPF actually returning the funds to UNDP because of a misunderstanding. In the case of UNCDF/NY, and despite a commitment made in November 2005 to transfer funds to the Government on a timely basis, the transfer was delayed (by mismanagement) until February 2006. As a result, the entire procurement process in Bobonaro was delayed, and did not begin until March 2006, much later than scheduled and desirable.

- LDP staff have not only been responsible for overseeing LDP implementation, but have also had to bear much of the administrative burden associated with UNCDF being the executing agency. The absence of a full-time Programme Officer (the recruitment process for which has been delayed for reasons that the TRM does not understand) has meant that LDP staff have had to spend more time than would otherwise be necessary on handling administrative tasks. This has inevitably distracted them from focussing entirely on the more technical tasks associated with LDP implementation.

The last two constraints mentioned above clearly point to the need for UNCDF, in particular, to improve its administrative performance – it is inexcusable that the efforts of the LDP team and a host of government officials and local citizens in Bobonaro be compromised by administrative and operational inefficiencies in UNCDF/NY.

8. OUTPUTS

8.1. Output 1: Procedures for inclusive, pro-poor and effective planning and budgeting of local infrastructure and service delivery are established and applied in pilot districts

There is general consensus that, with a few caveats, this output is well on track. A number of observations can be made in this respect:

- The over-arching institutional arrangements for Local Assemblies appear to function satisfactorily. Voting members (who are community representatives) do exercise “legislative” powers over plans and budgets, sometimes over-riding technical proposals drafted by executive members. In general, District and Sub-District administrative officials have played the more technical/advisory role that they have been assigned, and have left final decisions to be made by voting members.
- The planning and budgeting procedures established in late 2004, by which Local Assemblies are expected to identify priority investment projects and determine the use of their block grant allocations, have been progressively fine-tuned through experience. They appear to be well understood by almost all stakeholders and adhered to in a relatively rigorous way.
- The procedures do seem to effectively blend “bottom-up” processes of needs identification and prioritisation with more technical aspects of planning (appraisal, initial design and costing, etc.).
- Training of Local Assembly (voting and executive) members appears to have been of high quality. The TRM is particularly impressed by the way in which training has managed to provide Assembly members and the PICs with the skills needed to effectively use relatively sophisticated prioritisation tools.

- Investment plans and budgets continue to have a pro-poor “flavour” – the following provides a summary, by sector, of planned investments by all the Local Assemblies in Bobonaro and Lautem Districts for FY 2006-2007.

Table 1: Percentage of planned total investment expenditure by sector for LAs in Bobonaro (2005-2006)³ and Lautem (2006-2007)

Sector	DISTRICT	
	Bobonaro (2005-2006)	Lautem (2006-2007)
Education	41%	26%
Health	14%	6%
Water and sanitation	14%	18%
Roads	14%	20%
Electricity	-	7%
Agriculture, forestry and fisheries	15%	16%
Environment	-	7%
Other	2%	-
Total	100%	100%

Source: LDP files

As can be seen from table 1, the outcomes of the planning process – in terms of planned investments by sector – are largely consistent with poverty reduction and the MDGs.

There are, however, some areas within the local planning process where more work needs to be done:

- Participation on the part of voting members (especially, but not uniquely, women) remains variable amongst the Local Assemblies – although women’s physical participation in Assembly meetings is consistently lower than that for male voting members, in some Sub-District Assemblies (such as that of Lautem SDA) even male participation rates are relatively low (due to transport problems). Perhaps as importantly, female voting members continue to have problems in voicing themselves – as is also the case for some male voting members, particularly when some Assembly members are also traditional “kings” (or *liruai*).
- A more general participation issue is at the Suco level, where local citizens are not always as actively engaged with their Councils as they could (or should) be. This, in turn, implies that the local planning process may not be as “participatory” as it could be. The reasons for highly variable citizen engagement with Suco Councils (and, by extension, with Local Assemblies) are not entirely clear – but steps will need to be taken to enhance this.
- In a similar vein, flows of information, although they would seem to have improved over time, remain inconsistent. Voting members of Local Assemblies do

³ Due to political unrest, Local Assemblies in Bobonaro have not been able to complete their planning process for 2006-2007.

not always assiduously ensure that the outcomes of deliberations are communicated downwards to local communities. Suco Councils also vary in the extent to which they communicate with their constituencies.

- Technical steps (notably verification and appraisal visits) in the local planning process have remained problematic for some Local Assemblies (e.g. Atabae in Bobonaro District), which have had difficulties in accessing civil engineers and the like for initial design and costing.

8.2. Output 2: Transparent and effective procedures for sustainable production/delivery of public infrastructure and services are established and applied in pilot districts

The LDP also appears to be on track with respect to this output – although less so than for output 1, if only because the programme has only experienced one (interrupted) procurement and implementation cycle in Bobonaro. On the “plus” side, several observations should be noted:

- Implementation Guidelines were issued as a Ministerial Directive in 2005, spelling out the steps that Local Assemblies are expected to follow in ensuring the execution of their investment plans, in ensuring local oversight of works and services, and in establishing sound O&M arrangements.
- The official procurement regulations for the LDP, issued as a Ministerial Directive in late 2005, build upon the new National Procurement Law (approved in November 2005) and allow for:
 - Sub-District Assemblies to directly procure works, goods and services of a value of up to \$ 5,000;
 - District Assemblies to directly procure works, goods and services of a value of up to \$ 10,000 (including SDA items valued at more than \$ 5,000).

Any works, goods and services valued at over \$ 10,000 must still be procured by GoTL's National Procurement Division.

The Local Assembly procurement regulations are consistent with national regulations and include the use of national tendering documents and forms.

- The LDP has provided high quality training on procurement procedures for Local Assembly officials in Bobonaro, as well as backstopping and briefing exercises.
- Although delayed (due to delays in fund flow), almost all procurement that was supposed to be managed at the local level in Bobonaro (as well as one project that should – in fact – have been handled at the national level) did take place. In total, local level procurement for 27 projects was successfully concluded, for a total value of a little over \$ 133,000. 1 remaining project (school furniture in Cailaco) has yet to be procured at the local level.
- Because they exceeded the threshold for District level procurement, 3 projects were to be managed by the National Procurement Division in Dili. Due to political instability (and, quite possibly, bureaucratic delays), none of these projects has to date been tendered.

- The table below provides some data on how the local procurement process “panned out” in Bobonaro.

Table 2: Aspects of local procurement in Bobonaro (FY 2005-2006)

Total initially estimated value of projects (excluding local contributions, based on VAT/PIC estimates)	\$ 150,822
Revised estimated value of projects (excluding local contributions, based on tender calculations)	\$ 142,322
Final contracted value of projects (excluding local contributions, based on contracts)	\$ 133,541
Total number of projects included in investment plans (value < \$ 10,000)	32
Revised number of projects tendered (after revised estimates)	28
Number of projects “cancelled” after revised estimation process for tendering	4

Source: LDP data

From table 2 it can be seen that:

- The initial (VAT) total costing was only about 5.5% more than the final (and more assiduously calculated) total estimates for the tender process. This, it has to be said, is relatively good given that local technical capacities (for initial design and costing) are supposed to be limited and that this was the first year that local officials had been involved in local planning processes.
- However, revisions to estimates did lead to 4 projects having to be “cancelled” – 2 in Bobonaro SDA and 2 at the level of the DA. In Bobonaro SDA, the cost of a primary school rehabilitation project was radically revised upwards⁴, forcing the Assembly to scrap 2 smaller projects; at the DA level, a similar re-estimate (and design) for a pre-secondary school rehabilitation project forced the District Assembly to scrap 2 smaller projects.
- The tender process for 27 locally procured projects yielded “savings” of about \$ 8,780 (or 6.1% of the revised costing for tenders), attesting to the economies that can be generated through competitive bidding processes.
- With regard to implementation (or actual works), provisional information indicates that 6 locally procured projects have now been completed, and that all other projects (except those in Lolotoi SD – where access is a problem due to rain) are currently underway.
- A final point worth noting is that all locally procured projects were contracted out to a wide range of local contractors – and not to Dili-based contractors, and with

⁴ The initial project proposal only provided for the school’s roof to be replaced, but the revised design and costing indicated that simply replacing the roof, without carrying out other rehabilitation works, was not enough.

few contractors being awarded more than one contract. This was almost certainly due to the relatively small size of the projects – but does indicate (a) that there is not a scarcity of local contractors and (b) that the Assemblies are injecting capital into the local economy and contributing to local job creation in the process.

On the “minus” side, however, a few points about procurement and implementation should be noted⁵:

- For many projects that were tendered, a large number of bids were submitted, often with small variations in their financial bids. Because all bidders were officially pre-qualified (by PWD), it was thus often difficult for the tender boards to “objectively” decide on which contractor was to be awarded the contract. This sometimes led to tender boards actually awarding contracts on the basis of “divide the cake” principles in an effort to “satisfy” as many bidders as possible. This problem – of being able to assess the quality of contractors – may be reduced over time, as variations in the quality of actual works by contractors becomes more obvious. It is possible, for example, that future tenders will actually “black list” certain contractors on the basis of previous performance.
- Members of tender boards did not always observe due process. In some cases, contractors were informed that they had been awarded a contract before negotiations over contracts had taken place. This understandably led to problems.
- To date, no contractor has been paid anything – even when they have completed their contracts. This is due to the closure of the District Administration office – which has effectively paralysed all Treasury functions in Bobonaro. This is a serious concern, as it affects the credibility of the Local Assemblies (and, indeed, the LDP as a whole).
- Finally, it is not clear that Local Assemblies have paid systematic attention to the establishment of Local Oversight Committees (LOCs), responsible for ensuring community-level oversight of contractors and the quality of their work. In some cases, there were “natural” LOCs (e.g. school committees); in others, it is not yet clear whether the respective PICs ensured the establishment of a formal oversight process at the local level. This was probably partly due to the time constraint that existed (a delayed procurement process due to delayed funding) and to subsequent political instability and the closure of DA and SDA offices.

8.3. Output 3: Financing instruments for and financial management of local public infrastructure and service provision are established and/or improved in pilot districts

With regard to establishing financing instruments for the Local Assemblies, the following points should be noted:

- The LDF has been institutionalised through a Ministerial Decree and allocations from it are announced on a timely basis through annual Directives. Although far from ideal, the way in which allocations are estimated is not on the basis of a formula for dividing up a pre-determined funding pool, but on the basis of a fixed

⁵ Although it should also be borne in mind that this was the first year that most local officials and Assembly members had ever directly participated in tender boards.

allocation of approximately \$ 2.50 per capita⁶. The table below provides a summary of the allocations that have been made to or announced to Districts.

Table 3: LDF allocations FY 2005-2006, FY 2006-2007 and FY 2007-2008

District	LDF allocations (US\$)		
	FY 2005-2006	FY 2006-2007	FY 2007-2008
Bobonaro	200,000	200,000	200,000
Lautem		140,000	140,000
Manatuto			94,000
Aileu			90,000
Totals	200,000	340,000	524,000

- LDF allocations to District and Sub-District Assemblies are now incorporated into the GoTL annual budget as “grants”, rather than as “capital expenditure”. This classification, in theory, should facilitate arrangements for their management by Local Assemblies. However, it should be noted that whilst the Budget Division of MoPF has fully embraced the logic of “grants”, Treasury procedures for managing them remain un-defined – and this is something that the programme will need to work on in the near future.
- In principle, LDF allocations are subject to Local Assemblies demonstrating compliance with a simple set of Minimum Conditions (MCs)⁷ and can be increased or decreased depending on the assessment of the performance of Local Assemblies across a range of Performance Measures (PMs). Both of these elements of the performance-based funding provided by the LDF are provided for in Ministerial Directives. The assessment process is currently ensured by an *ad hoc* evaluation team, membership of which is designated by the Minister of State Administration. In 2005, the assessment process for Bobonaro was carried out by 2 senior MSA officials and 2 members of the ITWG. To date, only Local Assemblies in Bobonaro District have been assessed for compliance with MCs – and all were judged to have qualified for their LDF allocations for 2005-2006. Local Assemblies in Lautem are soon to be evaluated for their 2006-2007 allocations. In Bobonaro, however, and as a result of the “situation”, the process of assessment for 2006-2007 will be amended.
- In late 2005, an initial set of local public financial management (LPFM) regulations (subsequently incorporated into a Ministerial Directive) was drafted. Due to intransigence on the part of the Treasury in Dili, this original LPFM system had to be modelled on the way that Treasury manages funds for Timor-Leste’s diplomatic missions. The LDP then developed a training manual and provided Local Assemblies in Bobonaro with training in LPFM. Even though political instability and the closure of administrative offices in Bobonaro has not helped, it has become clear (over the course of 2006) that the LPFM regulations were too complex – in relation both to the needs of Local Assemblies and to their capacities.

⁶ This has been because of changes in the Ministry’s selection of pilot Districts. In the first allocation to Bobonaro, a simple formula was used to make transparent and equitable allocations from a fixed funding pool – and the per capita allocation that resulted has since been used as the principle by which the LDF makes allocations to the Districts.

⁷ The MCs are designed to become incrementally more “demanding” over time, such that each year participating Local Assemblies need to satisfy more stringent MCs.

- Currently, the LDP is working on a revised set of LPFM regulations⁸. Important differences between the new regulations and the 2005 regulations will be that they:
 - will be anchored much more firmly in regular Treasury processes and will explicitly be used by DFOs, which is now possible because of a much more open attitude in Treasury to piloting and innovation⁹;
 - will also be tailored to provide 5 pilot Districts (the four LDP pilots plus Oecusse) with appropriate LPFM arrangements in order to manage certain budget line items (for FY 2006-2007) that have been deliberately delegated to District and Sub-District Administration management by MSA;
 - will be much simpler and require far fewer forms and formats – this will hopefully make the new system much more user-friendly and better suited to the needs and capacities of Local Assemblies.
- In general, it would be fair to conclude that LPFM is the one area where the LDP has yet to develop and test demonstrably workable and effective procedures. This is thus a key and major challenge for the programme – and one that needs to be met rapidly so that Local Assemblies in Bobonaro and Lautem will be able to execute their budgets without major problems during 2006-2007, as well as for the future inclusion of new Districts.

8.4. Output 4: National policies on decentralisation and poverty reduction are informed by experience from the LDP

Although the LDP is intended to make a direct contribution to poverty reduction in the areas within which it operates, its primary justification (as a relatively small project) lies in its potential – as a pilot – to inform national decentralisation policy processes. And this is doubly important given that GoTL (led by MSA and with UNDP and UNCDF assistance) is currently in the process of clarifying local government options and reforms.

There are several ways in which the LDP has informed national policy on decentralisation and local government, *inter alia*:

- The programme's consistent efforts to institutionalise its various procedures (Local Assemblies, planning, implementation, procurement, LPFM, etc.) by having them enshrined in Ministerial Directives has proved to be an effective way of putting decentralisation issues onto the national policy agenda. By publishing LDP guidelines and the like in GoTL's official Gazette, the programme has effectively brought decentralised procedures to the attention of senior government officials (as well as local officials). The LDP's ability to do this has largely been because of the way it is embedded in MSA and the extent to which senior MSA officials (including the Minister) trust the LDP team and its approach.
- Continuous interaction with MoPF departments (widely seen as being the most entrenched "opponents" of decentralisation) on a range of issues has clearly led to a more open attitude towards the devolution of functions to the local level. With the budget department, discussion over the status of LDF allocations to Local

⁸ At the time of writing (mid-August 2006), a first draft of these revised LPFM regulations has been agreed upon by DNAT/DNAF and submitted to Treasury for discussion.

⁹ This change in attitude can largely be attributed to the departure of the previous Director of Treasury.

Assemblies has resulted in them (as well as a range of other expenditure items) now being classified as “grants”. With the National Procurement Division, discussions about local procurement issues have probably been instrumental in shaping the new national procurement law and in convincing the Division to allow greater procurement responsibilities to be devolved to the local level. And, finally, continuous dialogue with the Treasury appears to have resulted in a more pragmatic and flexible approach to LPFM.

- Through its close links to LGOS, the LDP has also been able to leverage policy impact. LGOS technical assistance quickly recognised the significance of some of the procedures and practices that the LDP was piloting – and has integrated the substance of many of the lessons learned through the LDP into policy proposals (e.g. indirect elections for Municipal Assemblies, IGFTs as “grants” in the GoTL budget, planning and implementation guidelines, etc.).
- Finally, informal networking by the LDP appears to have paid off as a way of informing national policy. Timor-Leste is a small country, with a correspondingly small politico-administrative elite and donor community – in such a context, informal networking can be highly effective. Despite the fact that the LDP is a small programme (in terms of budget), it enjoys a relatively high profile and consequently exercises a surprising degree of influence on thinking among key officials and the donor community.

Despite these achievements in informing national policy, the LDP should now step up its efforts to disseminate lessons learned and their policy implications:

- Where the LDP has been manifestly successful (e.g. local level planning, local procurement), it is time to ensure that a wide range of stakeholders are “formally” targeted. This could be done through holding national workshops (at which Assembly members from Bobonaro and Lautem could make presentations), through facilitating visits to LDP Districts, and the like. What is key here is to provide “empirical” proof that local level processes can and do work – and that they yield desirable outcomes.
- In the next phase of the LDP, which will be deliberately designed so as to integrate LDP piloting with support for decentralisation policy, the LDP team should become much more closely linked to policy processes in MSA.

9. ORGANISATIONAL AND OTHER ISSUES

With regard to organisational, management and other issues, the TRM (largely for the record) notes that:

- The LDP team is currently composed of the following members:
 - an International Technical Adviser (ITA);
 - a National Programme Coordinator;
 - a National Finance Specialist;
 - a National Planning Specialist;
 - a Secretary;
 - two drivers.
- The team is based in MSA, reporting directly to DNAT, but also to a PMU consisting of the Directors of DNAT and DNAF, as well as programme staff. The

PMU makes or endorses key decisions, and through the involvement of the DNAT and DNAF directors ensures that the Minister is kept well-informed of LDP activities.

- Under the leadership of the ITA, the LDP team appears to work well and effectively. The National Programme Coordinator, as well as being directly responsible for providing Local Assemblies with support on planning and general issues, deals with a range of administrative tasks, whilst the two other national technical staff focus entirely on planning, implementation and financial management issues at the local level.
- Although national programme staff have been given increasing responsibilities over time, there is room for further delegation on the part of the ITA (who is over-worked). The TRM recommends that programme staff be given even greater operational responsibilities in the pilot Districts – which will soon be increased to four – thus enabling the ITA to work more effectively on policy-related issues. In addition, the planned recruitment of a national programme officer will reduce the administrative burden that is currently shouldered by the ITA and National Programme Coordinator.
- Internal monitoring of LDP activities and outcomes (in terms of governance processes, investment plans, procurement and finance) is generally of high quality. The LDP is an impressive example of a pilot programme that generates detailed data on a range of local governance and local development issues.
- Reporting on the programme seems more than adequate. The 2005 Annual Report is a very helpful reference document – detailing not only activities and events but also analysing issues and identifying problem areas.

10. LDP AS A POLICY PILOT – LESSONS LEARNED

The LDP's 2005 Annual Report includes a good discussion of policy-relevant lessons that have been generated by the programme, related to issues such as: appropriate sub-national levels, the role (and weaknesses) of Suco Councils, representation and downward accountability, expenditure assignments at the sub-national level, local planning processes, and fiscal and financial management frameworks.

The TRM has only a few other points to note in terms of the policy-relevant lessons learned through the LDP:

- It does not take long for local officials and community leaders to build up their own capacity (through both training and learning by doing) to plan and procure public goods and services, to “master” the entire process, and to become articulate and self-confident about all this. The TRM was genuinely impressed by the clarity with which local officials and voting members of Local Assemblies in Bobonaro and Lautem now describe the LPP and (in the case of Bobonaro) local procurement procedures and practices. In a very short space of time (less than a year in the case of Lautem), people have learned how to use new procedures effectively. This is a significant policy lesson insofar as the LDP experience provides an important counter-factual to the customary reticence of central government and some donors to support decentralisation on the grounds of limited local capacity.

- The LDP does have a small, dedicated team, which has been instrumental in supporting the entire LDP/LDF process – through developing guidelines, training materials, mentoring and backstopping. It is self-evident that without the support provided by this team, it would not have been possible to initiate a locally-owned development process in Bobonaro and Lautem. The policy-relevant lesson here is equally self-evident – if the government intends to establish Municipalities, and wants them to become successful and effective local governance and service delivery institutions, it will need to provide them with the same kind of support that the LDP team currently provides to Local Assemblies in Bobonaro and Lautem. This implies that DNAT, in particular, and MSA, in general, will need to radically rethink the way they “do business” – there is no point in driving a decentralisation agenda and in establishing formal local government institutions unless reforms also kick in at the central level.
- Another, policy-relevant lesson to be learned from the LDP pilot is about policy processes. What the LDP has shown is that changes can be effected, even in a country as centralised as Timor-Leste – but only through constant and persistent engagement with key institutions. The clearest example of this has been the LDP’s long-standing (and sometimes painful) dialogue with officials and advisers in MoPF – which has, contrary to initial expectations, led to significant innovations in local procurement, in budgetary processes (so as to accommodate Local Assemblies) and in local public financial management arrangements¹⁰. For decentralisation to “work” in Timor-Leste, this kind of engagement and dialogue will need to be maintained and extended (to Line Ministries).
- A final, general, lesson to be drawn from the LDP is that the process of policy reform needs to be anchored in government (MSA in this case) and that pilot projects (such as the LDP) need to move at the pace and in the direction that are determined by government (and not by donors). The LDP has consistently been highly attentive to the Minister of State Administration, who has (for her own reasons) been prudent and unhurried in her approach to rolling out the LDP. It is the opinion of the MTR that this has paid off – and that MSA is now much more self-confident about gradually accelerating the decentralisation policy process as a result of having been able to oversee an LDP which has proceeded at a pace deemed appropriate by the Ministry.

¹⁰ Indeed, the TRM would argue that it has been the LDP’s engagement with MoPF on such issues that has triggered (perhaps inadvertently) a range of wider changes in the way that MoPF regards PFM as a whole.