


OUTLINE


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3. Main Components:
 - Country's Programs and Priorities
 - Alignment
 - Procedures of Engagement
 - Use of Country System



1. FOUNDATIONS FOR FOREIGN AID POLICY

The Government's Foreign Aid Policy is based on existing agreements and principles:

1. **PARIS DECLARATION ON AID EFFECTIVENESS:** In 2005, more than 100 developing and developed countries met in Paris where they agree to improve the quality of aid and its impact on development. Amongst other resolutions, developed countries agreed to align their activities to the priorities of developing countries.
2. **ACCRA AGENDA FOR ACTION:** In September 2008, more than 80 countries, all OECD donors and 3000 CSO from around the globe were joined by representatives of emerging economies, the UN and multilateral organizations met at Accra where developing countries committed to take control of their own future and donors pledged to co-ordinate their activities with the priorities of developing countries.
3. **BUSAN PARTNERSHIP FOR EFFECTIVE DEVELOPMENT COOPERATION:** The Busan Declaration (2011) reaffirmed the Paris Declaration and Accra Agenda for Action. One of the most important aspect of Busan Declaration is the call for the use of developing countries public financial management systems for development financing and support the strengthening of these systems.
4. **THE NEW DEAL FOR ENGAGEMENT IN FRAGILE STATES:** The "New Deal" (2011) sets forth a new paradigm for engagement in fragile and conflict affected states that is underlined by the principles of country-owned, and country-led development.
5. **AID MANAGEMENT EFFECTIVENESS POLICY:** Approved in 2017, the document localizes the global agenda on Aid Effectiveness.
6. **Timor-Leste is a founding member of the g7+:** Leader in organization of fragile and conflict-affected states.



PARIS DECLARATION

The Paris Declaration endorsed a set of fundamental principles aimed at making aid more effective:

1. **OWNERSHIP:** Developing countries design their own objectives and strategies for development and poverty reduction.
2. **ALIGNMENT:** Donor countries align behind these objectives and use local systems.
3. **HARMONIZATION:** Donor countries coordinate, simplify procedures and share information to avoid duplication and overlapping.
4. **RESULTS:** Development partners and developing countries should focus on outcomes.
5. **MUTUAL ACCOUNTABILITY:** Developing countries and development partners are accountable for development results.



ACCRA AGENDA FOR ACTION (AAA)

The AAA seeks to strengthen and deepen the implementation of the Paris Declaration on Aid Effectiveness. It hinges on three main themes:

1. **OWNERSHIP:** Developing countries set their own strategies for development and take a stronger leadership role in coordinating aid. Development partners should use country systems to deliver aid.
2. **INCLUSIVE PARTNERSHIPS:** All relevant stakeholders including new donors and civil society organizations should participate fully in this process.
3. **DELIVERING RESULTS:** that will have real and measurable impact on development.



BUSAN PARTNERSHIP FOR EFFECTIVE DEVELOPMENT COOPERATION

The Busan Partnership reiterates the Paris Declaration and Accra Agenda for Action. It also highlights a set of principles for all development stakeholders aimed at making cooperation more effective:

1. **OWNERSHIP:** Developing countries should define the development model that they wish to implement.
2. **FOCUS ON RESULTS:** The driving force behind investments and policy is to have a sustainable impact on development.
3. **PARTNERSHIPS FOR DEVELOPMENT:** Development depends on the participation of all relevant stakeholders and recognizes the diversity and complementarity of their functions.
4. **TRANSPARENCY AND SHARED RESPONSIBILITY:** Development cooperation must be transparent and accountable to all citizens.



THE NEW DEAL FOR ENGAGEMENT IN FRAGILE STATES (The New Deal)

Developed by the G7+ to create a global paradigm for international engagement in fragile states, it is informed by the lessons of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action; currently subscribed to by 44 sovereign states and numerous international organizations. Creates three pillars with which to engage in development:

1. **PEACEBUILDING AND STATEBUILDING GOALS:** Promotes five key areas as foundation for progress and to guide the work in fragile and conflict affected states.
2. **FOCUS:** promotes inclusive *country-owned and country-led* mechanisms for planning and coordination.
3. **TRUST:** Promotes principles for providing aid and managing resources more effectively and to align these resources for results while using country systems.



AID MANAGEMENT EFFECTIVENESS POLICY

Following consultations, the Aid Management Effectiveness Policy was passed in March of 2017. The Foreign Aid Policy is not a significant departure from the AMEP, instead it should be thought of as a revision.

1. **SIMILARITIES:** Ultimately, both documents aspire to localize the global agenda on aid effectiveness, that is, improving aid coordination, harmonization, ownership, and alignment.
2. **DIFFERENCES:** The Foreign Aid Policy presents a more focused approach that proposes practical and clear steps that can be taken to better ensure aid effectiveness.



AID MANAGEMENT EFFECTIVENESS POLICY & FOREIGN AID POLICY

Following consultations, the Aid Management Effectiveness Policy was passed in March of 2017. The Foreign Aid Policy is not a significant departure from the AMEP, instead it should be thought of as a revision.

TOPIC	AID MANAGEMENT EFFECTIVENESS POLICY	FOREIGN AID POLICY
ALIGNMENT	Calls for alignment at the SDP level.	Calls for alignment at the SDP Sub-pillar level and the Government sub-program level as a minimum. Encourages alignment at Ministerial Annual Action Plan level.
COUNCIL OF MINISTERS ROLE	Requires Council of Ministers approval for every project.	Sets threshold for Council of Minister involvement, streamlining process.
PROCEDURE FOR APPROVAL	References Government coordination in approval process.	Establishes procedure for approval and steps for involvement of institutions.
OWNERSHIP	Does not directly address this area.	Establishes preferences, not requirements in project design to increase country ownership.
USE OF COUNTRY SYSTEMS	Does not clarify what is meant by use of country systems.	Begins to clarify Use of Country Systems by addressing banking arrangements and preferences .
OVERALL	Lack of clarity in some areas.	Provides specific and realistic suggestions and guidance.



2. MOTIVATION FOR FOREIGN AID POLICY

1. Development partners have provided \$201.0 million a year on average for the past five years, however assistance has been steadily decreasing.
2. Need for improvement of procedures and guidelines for development partners to begin supporting activities.
3. Lack of specific information on how development partners are supporting Government priorities.

Conclusion: Not properly accounting for and/or coordinating this investment represents a **massive missed opportunity** for the Government.

Proposed Solution: The VIII Constitutional Government proposes a new Aid Policy to improve country ownership, encourage use of country systems, and increase Timor-Leste's leadership role in development assistance.



3. MAIN COMPONENTS OF THE FOREIGN AID POLICY

I. Defining Priority Areas for Development Partners' Support

II. Alignment to Timor-Leste's Planning Frameworks

III. New procedure for approval of Programs and Activities

IV. Improve and increase development partner use of country systems



I. DEFINING PRIORITY AREAS FOR DEVELOPMENT PARTNER SUPPORT

Purpose: To provide guidance to development partners on areas that require or could most benefit from development partner support.

Clearly states 11 areas that development partners should prioritize:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Education • Health • Tackling Malnutrition • Youth and Gender • Agriculture and Rural Development • Tourism | <ul style="list-style-type: none"> • Infrastructure for growth, connectivity, and accessibility • Water and Sanitation • Regional Integration • Private Sector Development • Public Sector Management |
|--|--|

Expected result: increased concentration of development partner support in these areas, reduction of fragmentation.



II. ALIGNMENT TO TIMOR-LESTE'S PLANNING FRAMEWORKS

Purpose: To align and integrate external resources into the Government's available resources.

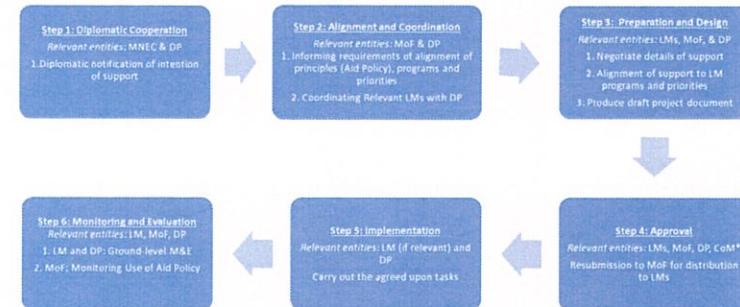
- SDP sub-pillar (Required)
- Government Sub-program (Required)
- AAPs (PROGRAMMATIC BUDGETING) (when possible)

Expected result: improved harmonization of development partner support and improved planning and distribution of resources.



III. NEW PROCEDURE FOR APPROVAL OF ACTIVITIES (cont.)

Purpose: To simplify and clarify the process of initiating development partners activities in Timor-Leste.



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	CHARACTERISTICS	GOV LEAD	REQUIRED APPROVAL	CoM APPROVAL REQUIRED IF
Framework Agreements	Developed at the diplomatic/political level with inputs from technical team. Outlines high-level priorities of assistance. Usually contains details on privileges and immunities.	MNEC	Parliament CoM	Mandatory in All Cases
Country Partnership Strategies	Based on the priorities established in the Framework Agreements and G2/L priorities. Usually provides indicative funding levels and outlines several projects/activities to support the high-level priorities. Must be issued at the Whole of Government (CoM).	MoF	MoF MNEC LMs	Total CPS estimated value exceeds \$5million USD
Project Formulation with Donors	Ideally, document detailing an activity specified in the CPS. Includes description, outcomes, outputs, indicators, and roles and responsibilities.	LMs	MoF MNEC LMs	Projects are over \$5 million
Project Formulation with Government	Ideally, document detailing an activity specified in the CPS. Includes description, outcomes, outputs, indicators, and roles and responsibilities.	NA, MoF Consulted	MoF MNEC LMs	Projects are over \$5 million



III. NEW PROCEDURE FOR APPROVAL OF ACTIVITIES (cont.)

Threshold for Signature

INDICATIVE VALUE OF PROJECT	APPROVAL FOR PROJECTS EXECUTED BY GOVERNMENT	APPROVAL FOR DEVELOPMENT PARTNER EXECUTED PROJECTS
Up to \$1 Million	Director General level	No Objection letters from LMs
Over \$1 Million and below \$5 Million	Minister level	No Objection letters from LMs
\$5 Million and above	Decision of Council of Ministers	No Objection letter from Council of Ministers

Expected result: Streamlining of procedures for commencing activities.



IV. IMPROVE AND INCREASE USE OF COUNTRY SYSTEMS

Purpose:

To maximize the benefits of assistance to Government and ensure aid follows country-owned country-led and use country system principles.

DYNAMIC	METHOD OF SUPPORT	GOVERNMENT POSITION
Ownership	Sector and Budget Support	Most preferred
	Government Executed Project	Preferred
	Development Partner executed project	Least preferred
On Treasury	Use of Central Bank	Most preferred
	Commercial Bank with Gov procedures	Preferred
	Commercial bank no Gov Procedures	Least preferred

Expected result: Better use of resources.



IV. IMPROVE AND INCREASE USE OF COUNTRY SYSTEMS (cont.)

Purpose:

To maximize the benefits of assistance to Government and ensure aid follows country-owned country-led and use of country system principles.

Rules for Government co-financing

- Co-financing should be avoided for projects that fall outside of existing AAPs or sector strategies.
- When requested, co-financing should not be used for development partner pilot or test projects.
- Total Government contribution **cannot exceed \$30,000 USD** for projects that fall outside of existing AAPs or sector strategies.

Expected result: Better use of resources.



CONCLUSIONS

- Should not be seen as a drastic departure from the AMEP or from the globally agreed upon principles on Aid Effectiveness, it is merely a revision of the former.
- The Foreign Aid Policy will **NOT AFFECT** your current projects. Instead, it targets the formulation stage for future projects.
- It aims to increase **ownership and alignment** of donor funded activities, translating rhetoric to reality.
- It does not restrict activities or partnerships but instead calls for increased partnerships with Government.



THANK YOU