

PAPER 2 – Ireland’s Aid Choice of Modalities in Providing Support to Timor-Leste

1. Background

This is one of four learning papers that were produced as the final product of an independent external evaluation conducted by Mokoro in 2014 of the Irish Aid engagement in Timor-Leste. This is Paper 2 in the series and focuses on the modalities of support that were used in implementing the programme. It addresses the following questions:

- How effective and appropriate were the modalities used in the Country Strategy Papers (CSPs)?
- Were the modality choices informed by learning from implementation experience along with taking account of context changes, country systems and capacity strengthening objectives and country identified needs?

The other three papers in this series examine: the quality, depth and comprehensiveness of the analysis that went into decision-making (Paper 1); the results of the Irish Aid programme (Paper 3); and the analysis, programme choices, relevance and effectiveness of Irish Aid efforts in conflict reduction (Paper 4). These papers should be read in conjunction with the general background paper on the Timor-Leste programme, which is also part of this series, and which provides details on the priorities, programmes and budget over the period.

Box 1 - Results Areas

Five main results areas of Irish Aid support ...

- Public Sector Capacity
- Local Governance
- Gender
- Civil Society Strengthening
- Employment generation

Modalities are, in the context of this paper, understood to refer to the manner in which Irish Aid channelled both financial support and technical/supervisory/management support, to its programmes. This is discussed in the next section. The relevance and effectiveness of these modalities will be analysed in Section 3, and will be drawn into lessons learnt in the final part (Section 4).

2. What was done?

To understand the modality choices made by Irish Aid it is important to understand the context in the early years. Irish Aid was one of the first donors to come to Timor-Leste when the conflict ended. At the time there were no functioning structures in the country, and little government capacity. There were few Non-Governmental Organizations (NGOs) and civil society was poorly developed. There was also – as is detailed in Paper 1 – very little data or analysis/studies to guide the choices. The United Nations (UN) moved in quickly in the initial period, and quickly became the (only) relatively large partner of choice for agencies wishing to provide funding to the humanitarian effort, and later to development priorities.

The Irish Country Office (CO) in this early period consisted of only one person – the CO Representative – who initially operated out of a hotel room and gradually recruited a small local staff contingent. The Representative had a budget at her disposal and very little

guidance from headquarters (HQ) or context analysis on which to base decisions around priorities and modality choices.

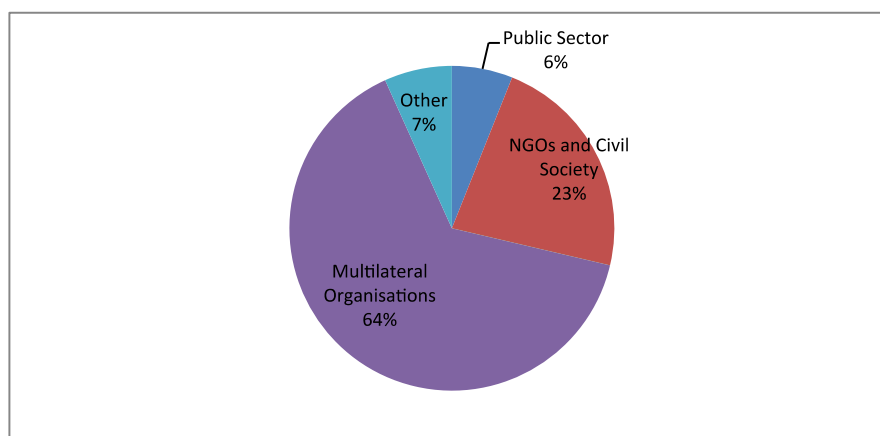
Over time the context changed, with more international and national NGOs and Civil Society Organizations (CSOs) being established, as well as a number of umbrella networks, but capacity continued to be a problem. A small private sector also evolved, and grew over time. Government structures were gradually put in place but faced the same capacity challenges. Studies started to be done, and were shared, and some data became available.

Over the 12-year period that Irish Aid was present in Timor-Leste three main modalities of support – with various variations within each category – were used by Irish Aid:

- Support through multilateral agencies to relatively large and long-term programmes. In some cases these programmes were co-funded by other donors.
- Support to international NGOs, which in turn channelled funding mainly to local NGOs, as well as direct support to local NGOs, for example through the Small Grants Facility (SGF) which was managed directly by Irish Aid.
- Direct support to local governmental institutions, such as support to the election body.

An analysis of the main channels of disbursement by Irish Aid between 2007 and 2012 (Figure 1) highlights – from a financial perspective – what proportion of funding was spent on each of these modalities in the country portfolio for that period.

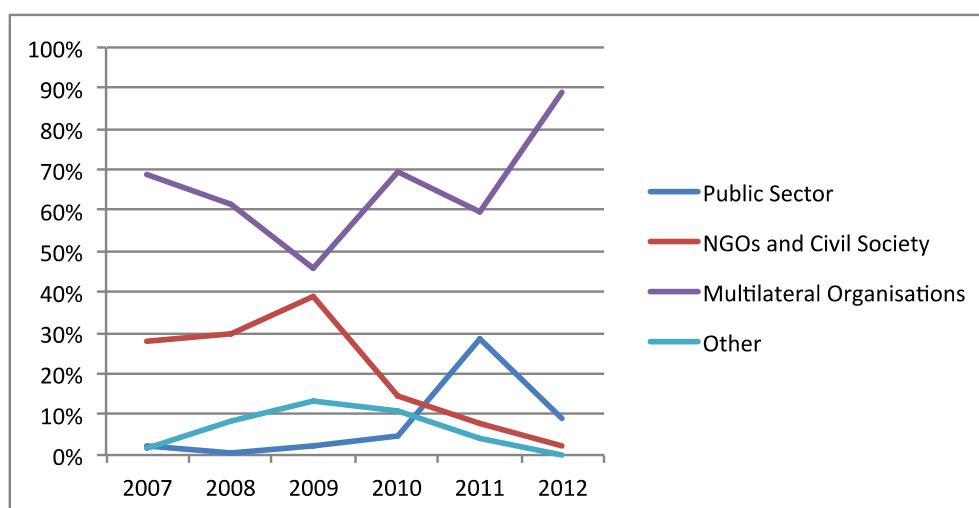
Figure 1 - Main Channels of Disbursement Used by Irish Aid between 2007 and 2012



Source: OECD-DAC International Development Statistics (accessed 8th April 2014)

The relative importance of these channels of support changed over time, as Figure 2 shows. Both figures reflect the period between 2007 and 2012. Disaggregated information on funding by channel of support could not be comprehensively compiled for the period before 2007.

Figure 2 - Irish Aid ODA in Timor-Leste: Distribution Channels over Time



Source: OECD-DAC International Development Statistics (accessed 8th of April 2014)

Figure 2 shows that multilateral channels of support increased in importance over the period. This included early support through the World Bank Development Fund (a large-scale rehabilitation fund), a UN-managed Consolidation Fund, the United Nations Development Programme (UNDP) for capacity development within government, support to UN Women for the Gender Programme which included placing of gender advisors in sector ministries, as well as the focus on local governance through the United Nations Capital Development Fund (UNCDF). It also included, somewhat later in the period, support to the Ministry of Finance for improving Public Financial Management (PFM) through the World Bank, and in the latter part of the evaluation period funding to the International Labour Organization (ILO) for support to employment generation and strengthening of business opportunities.

Support to NGOs and CSOs also took up a substantial part of the Irish Aid portfolio, and was an early area of engagement by Irish Aid in Timor-Leste (see Papers 1 and 3). The choice of this modality was atypical among the international agencies (and a pioneering move). In the early years, many agencies felt it was easier and less time-consuming and risky to work through the main UN agencies.

As Figure 2 shows, the relative importance of the NGO/CSO support modality decreased towards the end of the evaluation period. Following an external evaluation, and in the process of the design of the last Country Strategy Paper (CSP) for Irish support to Timor-Leste, the decision was made to phase out the engagement with the NGO/CSO sector. Various reasons underlay this decision, including the need to reduce the areas of engagement within the programme and the excessive time burden on the Irish Aid office from managing a large number of small grants directly.

As can be seen from Figures 1 and 2, direct support to the public sector comprised only a very small portion of the portfolio over the period. The peak in 2010/2011 reflects support to the electoral process.

The early support to the UN-funded interventions included the placement of external technical assistance – who performed much of the regular line functions – given that the

Timorese capacity simply did not exist. However, in recognition of the fact that such capacity needed to be established, both the multilateral and the NGO/CSO engagement included substantial capacity development components, as well as continued funding of external advisory positions. Nonetheless, and as will be seen in the next section, the capacity development approach by the UN agencies was subject to criticism, both in formal evaluation reports and in the interviews which this evaluation conducted.

3. Analysis

This section discusses and contrasts the two main modalities of engagement by Irish Aid – support to multilateral agencies and direct engagement with NGOs and CSOs. It also reviews the reasons for the changes in balance in the portfolio between these two main modalities.

In the early context in Timor-Leste the choices of modalities were strictly limited. They were limited because there was little information on the overall context that Irish Aid (and other partners) could draw on. There was also limited capacity to do analysis, and there were *“very few options out there”* as one of the evaluation’s respondents underscored. There was also very little guidance from the Timorese Government in this early period on priorities and approaches. Contextual constraints such as the choice of Portuguese as the official language in a context where very few people understood it – and which made laws and regulations inaccessible to most – further complicated matters. Choices were also limited for Irish Aid, as a small bilateral donor with a very limited staff contingent, even though in the overall Timorese context Irish Aid was still the seventh largest donor (see Background Paper for more details on Irish Aid financial contributions).

Working through multilateral agencies

The choice of support through the UN agencies was – as aptly worded by one of the evaluation’s respondents – driven by the need to *“play it quite safe, putting money in joint funds.”* It was also driven by a need to make inroads into the huge humanitarian and development challenges that the country was facing. The UN provided a relatively ‘easy means’ for channelling a substantial part of the country budget to acknowledged priorities, in a context where direct support to the Government of Timor-Leste was not a feasible option. There was the assumption that the programmes would be well managed, and would include the necessary technical input.

In practice the heavy reliance on external technical input resulted in an over-supply of advisers doing line functions and an insufficiently coordinated capacity development approach. Over time it also became clear that the UN did not necessarily work well with government, that both design and implementation in some cases were excessively slow, and at times inflexible, and that some UN agencies did not make good assessments of the context. The high turn-over of UN staff, especially in the earlier years, meant that Irish Aid had to invest multiple times in building relationships with relevant UN personnel. The UN also did not seek to benefit from Irish Aid’s ‘privileged’ relationship with government, which made it difficult for Irish Aid (and was a lost opportunity) as they were aware of what could be achieved. The UN itself took time to acknowledge that things were not working properly and to introduce corrective measures.

In spite of these challenges the financial contribution by Irish Aid to multilateral partners increased over time and came to represent a larger percentage of funding in the portfolio. The nature of the relationships changed, however, with support to some UN agencies being phased out, and other UN agencies becoming part of the programme. Through practice, Irish Aid found that some of the smaller and more technical UN agencies were inherently more flexible and able to bring in their technical experience from other contexts.

The continued use of the multilateral option also offered advantages. It allowed Irish Aid to be part of the dialogue, to sit on relatively high-level coordination fora, and to provide selected technical inputs. This was an opportunity that Irish Aid keenly took and which characterized its work in all the multilateral projects that received Irish Aid support, even those that were technically complex such as the PFM project. Irish Aid engaged actively through various project steering committees in the discussion and decision-making. This worked better for the areas where Irish Aid had experience from other countries, and/or where it had technical expertise (see Paper 3).

In spite of some challenges, the multilateral modality thus offered the convenience of allowing for disbursement of relatively large sums of money, to acknowledged priorities, while retaining the possibility of engaging in the design, technical discussion and monitoring of the programmes. This modality also offered Irish Aid the possibility of bringing into the discussion the unique understanding and experience that it was gaining from engagement at the local level through its support to the NGO and CSO sector. This was an important contribution for other partners (including government), given that very few of them were directly engaging at this level. Irish Aid's learning from the field was cited by many evaluation respondents as being extremely valuable to the overall understanding of the context, and to informing decision-making in specific projects.

The discussions on Analysis (Paper 1) and on Results (Paper 3) of the Irish Aid programme underscore, however, that there was substantial variation in practice in the implementation and technical capacity of the UN agencies. This was part of a learning process for Irish Aid. The UNCDF programme on local governance, for example, stood out for its participatory design, building on accumulated experience, and excellent technical input by this agency. The programmes managed by the United Nations Women's Fund (UNIFEM, now UN Women) and UNDP, on the other hand, were less well managed, and had a number of teething as well as implementation problems. In some cases the UN agencies (e.g. UN Women) were simply not equipped to deal with large projects of this kind and lacked the expertise and the technical backing for ensuring adequate implementation. Paper 3 in this series highlights the lessons that this raises for engagement in fragile contexts.

NGOs and Civil Society

Irish Aid engagement with civil society characterised its approach from the first days that it established itself in Timor-Leste. The then Representative (see Paper 1) actively sought to understand the context, and identified that working with and through local organizations (including local government) outside of the capital, Dili, would give Irish Aid a unique insight into and understanding of the context which it would be able to use to inform its priority setting and decisions on approaches. This engagement would also ensure a balance in the portfolio supported by Irish Aid, so that it could include government-focused support

through the UN and civil society engagement. This was considered important as it would allow Irish Aid to place more prominently on the agenda issues that it was committed to such as human rights and gender. The Representative thus followed a pragmatic approach of going out into districts and identifying local organizations to work with, providing small amounts of funding to kick-start local initiatives, and monitoring these to identify factors of success and challenges. The approach was very much one of planting a million seeds to see which one would grow. Over time Irish Aid's work with civil society became a trademark of its engagement, and served the overall programme well because it allowed Irish Aid to have a keen sense of reality on the ground and of the opportunities and challenges, which many other agencies did not have.

The manner in which Irish Aid engaged with civil society evolved over time, reflecting a choice of different modalities of engagement. The modality of direct support to civil society organizations hand-picked by Irish Aid evolved into a more structured Small Grants Facility with clearer criteria for allocation of funds.

However, civil society continued to be weak (from technical, accountability and fund-raising capacity perspectives) and Irish Aid sought to strengthen it by providing support to the Dili-based umbrella network for civil society organizations (FONGTIL). A multi-year programme with FONGTIL provided technical support, training and funding for activities such as annual member meetings, selected studies, and training of member organizations. It also reflected a further tweaking of the modality of engagement with civil society.

While this modality of intervention vis-à-vis the civil society organizations made a lot of sense, it did make optimistic assumptions about the starting point of Fongtil, the capacity of FONGTIL to be a support institution, and the timeframe required to build a strong umbrella organization and to create a strong civil society. The drafting of a five-year strategic plan by FONGTIL was part of this engagement but came at a time when Irish Aid was already phasing out and the plan ultimately proved to be unrealistic both in terms of its ambitions and in an evolving context where donor support to civil society organizations was also dwindling. When the support to FONGTIL ended the organization was unable to continue providing services. Support through the international NGO Progressio to NGOs at district level, through the placement of technical advisors, in the last part of the evaluation period, while clearly targeted at strengthening much capacity, was much less successful than envisioned. The technical advisors – who were recruited from settings that were culturally very different – were challenged to adapt to new and difficult working circumstances (including learning a new language) and the two-year time period of their engagement was insufficient to produce a lasting outcome. There were also examples of NGOs being unduly influenced through political agendas, and members engaging because of the access this gave them to government and important agendas such as the Petroleum Fund.

The evaluation also found examples of local NGOs that had clearly gained from their engagement with Irish Aid and had become sufficiently mature to be able to continue their work and attract new sources of funding. This was the case, among others, for selected NGOs working on human rights and on gender.

Important characteristics of the Irish Aid support were a) flexibility, and b) its willingness to provide financial support for the functioning of civil society organizations (staff,

transportation, etc.) which most other donors were reluctant to do. This provided organizations with a measure of stability and a capacity to plan.

Nonetheless, while significant investments were made in strengthening civil society, there was only selected evidence that the NGOs that Irish Aid invested in had achieved a measure of sustainability. There was a strong view among evaluation respondents who witnessed the ‘decline’ of NGOs after Irish support ended that there should have been more care taken in really understanding the weaknesses, and in exploring and taking into account the underlying social and political context, and that Irish Aid and other donors should have had a more strategic and realistic view of how the engagement might develop. While the funding that was provided to NGOs supported many valuable initiatives at community level, it also created an artificial environment where money was relatively easy to access, which was not a reflection of the reality. This was illustrated for example by the NGOs that were involved in the efforts to address Gender Based Violence (GBV) and which were very dependent on Irish Aid funding and on the associated capacity support, and which suffered considerably when Irish Aid support was phased out.

4. Assessment

An assessment of the relevance and effectiveness of the Irish Aid choice of modalities must be seen in context. Over the whole evaluation period, the choices of modalities of engagement – although with some evidence that they were evolving – continued to be limited, reflecting the context.

In this context of limited choices Irish Aid engaged pragmatically and “*decided to play it safe*” as one respondent put it, by using a variety of modalities. The big money was put into joint funds, which benefitted from oversight by organizations with the ‘personpower’ and the technical capacity to provide the requisite inputs. Smaller amounts of money were provided to NGOs directly, or through INGOs, but required much more direct engagement by Irish Aid for a much smaller budget, and put considerable strain on a small country office.

The balance of the portfolio and the types/choices of modality were essentially made based on a combination of identifying the areas that Irish Aid wanted to work in, opportunities (and limitations) that were present in the context, and priorities in terms of the type of engagement that Irish Aid was seeking. At one level it reflected Irish Aid’s desire to engage at different levels with different partners – an approach that is typical of Irish Aid’s way of working and engagement in other countries. It also reflected Irish Aid’s corporate and country-level commitment to engaging in a coordinated and harmonized way, to maximizing impact and to minimizing the demands on a stretched government. In this respect the collaborative projects with other donors were seen as a good option as they allowed for such joint action. However, as will be seen further below, in some areas and in particular in capacity development, these joint programmes were too optimistic, and went insufficiently in depth in their approach to solutions. The choice of interventions also reflected Irish Aid’s acknowledgement of its own limited capacity. This meant that Irish Aid combined more technically and input intensive projects with those that were judged to require fewer inputs.

The balance of modalities and the choice of specific partners changed over time. In part the choice of modalities and of partners reflected learning by Irish Aid. The partner capacity assessment that was done as part of the last CSP was a useful exercise in this respect, as it

helped identify where the issues were and what the logical choices for engagement were. Other changes of modality were driven by changes in the context on the ground. Thus Irish Aid pulled out of its support to the budget support efforts through the World Bank PFM project when it became clear that the fiscal gap was smaller than previously believed and that such support would be less necessary. And it was able to adapt its engagement with the UN and make it more productive by engaging more strongly with certain UN organizations that demonstrated strong technical capacity, such as UNCDF and in the latter part of the period ILO.

The choices thus made sense, but did not always work out as anticipated. There was an overestimation of the capacity of partners – both multilateral (such as UN Women) and at the local level (such as FONGTIL and local NGOs) – and of their capacity to adapt and to be flexible, and too much optimism about time-lines and pathways to development, combined, in some cases (as is discussed in Paper 1 on Analysis) with limited understanding of the complexities and the fragility of the context within which many organizations were operating. This was not just characteristic of Irish Aid but also of other partners operating in an environment where there was a lot of enthusiasm, little data and few studies, and a desire to see success and rapid development.

Across different partnerships and modalities there were various challenges. Working with local organizations over time revealed weaknesses in reporting/financial/audits/programme management. With government there were also challenges in finding the right people (through the UN) to provide technical support and of having a receptive audience within government institutions (related to weak capacity, small numbers, and a very nascent nation).

Over the whole period capacity development posed challenges, and various options were experimented with. In gender mainstreaming, for example, this included placing Gender Advisers in ministries. This was a useful intervention in some respects but offered only limited and temporary solutions as this capacity substitution/replacement option did not in itself provide a guarantee of capacity building. Such solutions were experimented with across sectors, together with other approaches such as training, professional development, and the provision of incentives for local staff. Over time it became clear that addressing the prevailing capacity building problems in Timor-Leste was a slow and very labour-intensive process. However, in spite of this recognition a common approach to capacity development is still lacking today.

5. What were the lessons?

Modality choices in Timor-Leste were informed by country priorities, by Irish Aid's corporate agenda, and by the priorities as identified through context analysis. However, both the analysis and the choices were limited by available information and capacity constraints, and across implementation partners there was an overestimation of capacity. In practice a pragmatic balance was sought between the desire to have a varied portfolio to allow Irish Aid to learn from the field and to engage with a variety of partners, and the small size of the country office.

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Adjustments were made to modalities based on learning from implementation experience and on changes in the context. However, partner analysis, which could have assisted in modality choices, only became a systematic feature of planning towards the end of the evaluation period. And, in spite of continued efforts in capacity development, constraints have persisted and partners have yet to work towards a unified approach to capacity development for Timor-Leste.

Table 1 highlights a number of lessons that emerge from this discussion on modalities and that may be useful in other fragile settings.

Table 1 - Lessons on Modalities in Contexts of Fragility

Category	Issue	Impact	Lesson
Available modalities	Fragile contexts may offer few options in terms of modalities of engagement.	Limited choices of modalities and partners may camouflage weaknesses in modalities and partner capacity. It may affect implementation capacity and/or put an undue burden on government and other partners.	In fragile contexts even modalities that operate through other partners might require stronger hands-on management and inputs by Irish Aid. Staff time and expertise needs to be factored in even for those modality choices that would normally involve light touch supervision. Constant monitoring of all modalities will help ensure that problems are detected early.
Modality experimentation and learning	In situations of fragility modalities may be more 'fragile'.	Modalities that work in non-fragile contexts may not be as effective in settings of fragility. This may affect outcomes as well as time-lines for implementation and may place an unforeseen burden on partners.	Country strategies will need to explicitly acknowledge the 'unknowns' in fragile settings and include/ allow for experimentation with modalities. CSPs should allow for Irish Aid to 'get its hands dirty, to try and adapt'. It should build in moments and resources for learning, and allow for changes to modalities mid-stream if necessary. Sharing of learning with partners and other donors should be promoted.
Approach to civil society	Civil society may be particularly fragile and fragmented.	Weak civil society partners will face challenges in working effectively and will need more than just financial and technical support.	If the choice is made to engage with civil society, Irish Aid will need to include a strategic approach to civil society in fragile settings in CSPs and seek to coordinate this with other donors. Such a strategy should take account of the limitations, be realistic about capacity needs, and propose a holistic approach. It should also assess what can be

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Category	Issue	Impact	Lesson
			achieved, and formulate a specific strategy for bringing about sustainability. Prioritization among partners may be required, based on a prior partner analysis.
Decision-making around modalities and partners	Choices of modalities may be influenced by assumptions about how these function in non-fragile settings and/or by a lack of detailed knowledge of partner capacity to work in the manner that is envisioned.	Poor modality choice will result in higher transaction costs for Irish Aid and may affect the outcomes and impact of programmes.	Decision-making around modalities should be based on a careful assessment of the modality and of partner capacity. While the choices may be limited, having a good sense of the challenges that modality (and partner) choices involve will allow Irish Aid to make realistic decisions on what it can take on and how it might mitigate the weaknesses that are identified.
Capacity development	Underlying modality and partner choices are capacity issues which are likely to be of a much broader nature and related to years of lack of access to basic services, in particular education, and to the absence of systems and structures.	Capacity constraints can severely undermine the outcomes of development initiatives, regardless of the modality choice. Narrow/partial approaches to capacity strengthening are unlikely to produce results.	Fragile settings will require a concerted effort among partners to assess capacity constraints and to identify both short- and longer-term solutions to capacity development. A common strategy and approach should be sought, and areas identified where Irish Aid can contribute.