### Description

**1. Description of the Initiative**

**What is it?**
The goal of the East Timor Seeds for Life (SoL) Program (Phase 3) is: Improved food security through increased productivity of major food crops. The program builds on 2 earlier phases to select improved food crop varieties for East Timor rainfed agriculture, scale-up seed production through formal and informal channels and strengthen government institutions relevant to effective seed production systems for food crops.

**2. Objectives Summary**

**What are we doing?**
The objective of the program is: Farmers have access to and are routinely using improved food crop varieties. The end-of-program outcomes at objective level, against which overall performance of the program will be assessed, include: (1) 70% of lowland rice farmers use one or more varieties developed by the program; (2) 40% of upland farmers use one or more program varieties and within this: 40% of maize growers are using SoL varieties; 70% of peanut growers are using SoL varieties; 50% of sweet potato growers are using SoL varieties; and 20% of cassava growers are using SoL varieties.

### Australian Aid – Rated Quality Criteria

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| **3. Relevance**  | **Why are we doing this?**  
70% of working people in Timor Leste make their livelihood through agriculture. Low agricultural productivity contributes to food insecurity and poverty. Improved genetic material is one contributor to increased productivity.  
The Timor Leste Strategic Development Plan 2011-2030 identifies access to high-yield agriculture as part of the solution to productivity constraints. The SDP sets ambitious goals which, based on productivity improvement experience in neighbouring countries and the green revolution, are unlikely to be achieved in the time frame. Short term (2011-2015) proposals for the agriculture sector focus on irrigation development, provision of inputs and development of extension capacity and farmer organisations. Development of seeds is identified as a medium-term priority in the plan and is proposed for implementation in 2016-2020.  
Axis 1 of the Rural Development Framework 2010-2020 specifically identifies increased yields and sustainable upland farming systems as well as strengthened extension services as the means to achieving food security and assigns MAF as lead agency.  
The SoL3 goal and design is consistent with the Australia Timor Leste Country Strategy (and the Country Situational Analysis) and is complementary to other donor activities in the sector – eg NZAID and FAO post harvest handling and EU community empowerment programs. The design should also  
(A) Check with MAF that seed production is a priority for 2011-2015 – in its SDP it states that this is not a priority for implementation until 2016-2020. Should Australia contribute somewhere else?  
(B) Assuming MAF confirms improved planting material is important, identify how agronomic and post harvest management support will be provided to ensure environmental sustainability. This could be through linkages with other donor programs – in which case the design should explicitly include resources, institutional arrangements and performance measures for coordination with those programs needed to link SoL3 outputs to higher-level outcomes, purpose and goal | 4 | (A) Check with MAF that seed production is a priority for 2011-2015 – in its SDP it states that this is not a priority for implementation until 2016-2020. Should Australia contribute somewhere else?  
(B) Assuming MAF confirms improved planting material is important, identify how agronomic and post harvest management support will be provided to ensure environmental sustainability. This could be through linkages with other donor programs – in which case the design should explicitly include resources, institutional arrangements and performance measures for coordination with those programs needed to link SoL3 outputs to higher-level outcomes, purpose and goal |
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<td>complement proposed new activities in the sector including the ADB/IFAD post harvest project and the World Bank agricultural development program. The program justification on p11 of PDD assumes only one option to achieve improved food security – through improved varieties of seeds and planting materials. Other options – for example improved post-harvest handling (eg maize 25-40% gain) or improved agronomic practices (eg rice 35% improvement) – are not considered. A national seed system is an expensive way to address food security and increase productivity – the proposed investment (~A$5m/year) represents around 23% of the annual GoTL budget for crops and horticulture proposed in the SDP and almost 40% of the total MAF budget for 2010! In the absence of explicit measures to ensure sustainable management of soils to replace nutrients removed in increased yields, the approach also increases the risk of environmental degradation. Without improved agronomic practices to enable full expression of the genetic potential of improved varieties, there is a risk that much of the investment could be wasted.</td>
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<td>(C) Prepare a detailed theory of change for food security and agricultural livelihoods; identify the entry points where Australia could make a contribution that complements GoTL needs and other donor efforts.</td>
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<td>3</td>
<td>(E) Set out options and justification for recommended option(s) in Section 2.5 Program Justification.</td>
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4. Analysis and learning

**How well have we thought this through?**

The theory of change to achieve the proposed goal and end-of-program outcomes needs further development and explicit presentation. Different options for achieving the goal need to be explicitly considered and the analysis presented in Section 2.5. The program logic has a huge leap of faith that improved genetic material leads to increased food security and assumes that improved planting material leads to sustainable increases in productivity. This is based on limited experience with SoL2 – for example working in 7 Districts with ~10,000 families out of 137,000 such families nationally and in 2009 distributing ~12t of maize seed compared with ~200t by FAO that year. The SoL2 Impact Analysis acknowledges that “…there are other programs which have far greater influence on overall food production…”. Careful analysis of alternatives is needed in the justification for SoL3. SoL2 developed and promoted “improved crop production packages” entailing improved varieties and associated technology. This is consistent with experience from the Green Revolution (1970s-1980s), participatory rural development programs (1980s-1990s) and more recent markets for the poor programs that emphasise the need for sustainable systems: genetics + agronomy + post-harvest handling + market/finance support. As identified in the TOR for the design mission, genetics alone is not enough [see p1, para 4: “……a contribution to GoTL food security goals by SoL3 would require a comprehensive shift in program orientation: from an adaptive research and technical training program; to a seed production and distribution, crop production extension, and institutional capacity building program”.] Examples of why genetics is not enough | |  | (F) Identify how farmers using improved planting material will access “associated technologies for basic food crop production” so that they can adopt the agricultural packages needed for sustainable increases in productivity. |
| | |  | (G) Use lessons learned from SoL2 to identify and |
Criteria | Assessment | Rating (1-6) | Required Actions (if needed) 
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include: (i) increased yields from improved varieties result in increased nutrient off take which, if not replaced through increased fertiliser application, results in soil degradation; and similarly (ii) new varieties may increase yield but may have post harvest characteristics that increase farmer risks. |  | address reasons the number of repeat adoption farmers drops to ~10% after 4 years [see SoL2 Impacts Analysis p2] to reduce the risks to achieving SoL3 end-of-program objective. 

In the Concept Note the objective was ‘the majority of Timorese rural households use improved varieties and associated innovations for core food crops’. In the Preliminary Design Proposal the objective was ‘to assist the majority of Timorese rural households to use improved varieties and associated technologies for basic food crop production’ [TOR p2, footnote 7]. Revisiting these objectives to ensure the “associated technologies for basic food crop production” are addressed will significantly reduce the risks in design and respond to lessons learned from 40 years of agricultural production investments in SE Asia. These concerns are reinforced by learning from SoL2, which produced good evidence from on-farm demonstration trial monitoring showing that the number of adopting farmers decreases to ~10% by year 4 (when demonstration planting material must be replaced to sustain productivity gains) [see SoL2 Impacts Analysis p2]. The small proportion of repeat adoption farmers do increase the area planted with new varieties, but the proportion of farming households benefiting from the program is reduced. This learning highlights the complexity of farmer adoption and emphasises the importance of addressing the whole farming system if sustainable change is to be achieved. Australia can contribute to one part of that system (as proposed by SoL3) if linkages to other parts of the system are identified and coordination is resourced appropriately. Many of the Component end-of-program outcomes are actually outputs. As such they are fine but the program logic used for the design needs to identify how the outputs will contribute to the objective and towards the goal. Practical use has been made of lessons learned in other fragile states – for example seed fairs to monetise seed production – is sensible and worth piloting. There are risks with these approaches that the monitoring system can track to inform management decisions. 

5. Effectiveness | Will it work? | 3 | (I) Rigorously consider the relative benefits and costs of alternatives: focus on agronomy, focus on post-harvest handling, focus on improved varieties and/or packages that integrate a combination of these. 

(J) Review institutional
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<td>Leste Strategic Development Plan and Rural Development Framework.</td>
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<td>capacity development work by AusAID expert panel (eg Peter Morgan, Heather Baser, Tony Land) and refine the design to ensure a more thorough approach to institutional capacity development through organisational and systematic change as well as individual change. Training is just one of several capacity development methods that seem appropriate to SoL3. Also review the core elements of a sustainable institution (for example see AusAID supported European Centre for Development Policy Management (2008) Study on Capacity, Change and Performance).</td>
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<td>There is significant reliance on new institutional arrangements for distribution of SoL3 outputs – eg Community Seed Production Groups and Farmer Seed Marketing Groups – as well as increased reliance on Suco Extension Officers from MAF. This is consistent with GoTL priorities set out in the SDP and builds on efforts in SoL2. However, it relies on significant inputs from SoL3 and may not be the most effective approach. The design would benefit from an explicitly quantified transition that phases out GoA support and phases in GoTL support for these institutional arrangements over the life of the program. To ensure effectiveness Collaboration with Development Partners (Section 7.2 of Appendix 2) and Related Programs (Appendix 4) need further work to expand the focus beyond distribution of seed/planting material to complement a full theory of change and a revised, more sustainable, program logic. For example, explicitly identify how collaboration and harmonisation will be resourced and implemented with initiatives supporting improved agronomic practices (eg EC RDPS and proposed World Bank program) or post harvest handling (eg current NZAID and FAO activities or those proposed for IFAD and ADB). Appendix 2 identifies the resources needed for harmonisation (p19) but the design does not explicitly address or provide for this. Capacity Development activities adopt training as the default method (PDD pp 17, 20, 23, 25) and focus on individual capacity, not the organisational or systematic capacity of MAF as an institution. Lessons learned in Solomon Islands, PNG and Indonesia over the past 5 years highlight the risks of this approach. As proposed this is not sustainable and does not provide a mechanism or incentive through transition to sustainable exit. The third Component 1 EOPO cannot be achieved with this approach to capacity development alone. There are opportunities to use mentoring, twinning and lead firm models to more sustainably achieve the EOPOs. Design should explicitly link with Australian Aid Program strategy for financial services for the poor (May 2010). Experience in eastern Indonesia confirms access to financial services (both loans and savings) as a priority for many farmers with seasonal variation.</td>
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<td>(K) Identify how participating farmers will access finance services if needed to support sustainable adoption of SoL3 outputs. Access to finance does not need to be an integral part of SoL3 but to be consistent with the AusAID strategy this need should be acknowledged and the solution (from other donors, from GoTL programs etc) identified.</td>
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6. Efficiency **How will we do it?** Timor Leste is a fragile state and use of technical assistance and other direct interventions remains appropriate. However, the quantity and type of inputs proposed for technical assistance generally and for Component 4 specifically seems excessive. 28% management costs represents questionable value for money. In the absence of competitive processes, the

(L) Reduce the number of long-term technical advisers and develop management strategies that (i) support local professionals and (ii) phase out AusAID support and phase in MAF support so that by 12 months before
management costs should reflect industry norms for agencies that pay no tax or shareholder returns – in the range 14-18% (cf USAID C+FF of 7%).

The reliance on 10 long-term technical assistance staff for delivery of change seems excessive, even for a fragile state. Building on 5 years of SoL2 and a decade of engagement in the seed sub-sector, there is an opportunity for Australia to make its contribution to GoTL food security priorities through phased approaches and more local expertise – civil society groups, local universities or MAF staff – with a small number of LTA inputs. This might include oversight/management (1 FTE), technical leadership (1 FTE) and STA for technical/development inputs to mentor/support local professionals in a phased transition. Without this there are risks to efficiency and sustainability and an increased risk of substitution – where GoTL relies on donor resources rather than recurrent budget allocations for core activities (eg operation of research facilities and extension services).

Establishment of CSPGs and FSMGs seems efficient but the sustainability of the model needs to be explained and the phase-out role for CARE made clear. If CARE is not required to contest its role, the support costs should be independently established to ensure efficiency. Benchmarks from the ANCP are likely to be relevant.

The risk management matrix (Appendix 8) would be strengthened if it addressed three additional but core risks: (i) environmental sustainability [see above and also SoL2 Component 3 Outputs 3.4 and 3.5]; (ii) capacity of MAF to absorb a program as large as that proposed by SoL3 [see my analysis in attached notes] and (iii) property rights [who owns property rights to new varieties and how is public interest in this property assured for future generations].

7. Monitoring & Evaluation

How will we know?

Monitoring systems seem thorough and build on the proven SoL2 model. The focus on “to prove” and “to improve” is sensible but should be complemented by the third element of a sound performance framework, which is asking “So what?”

The SOSEK unit demonstrated in SoL2 how such a team can be used to collect useful, gender-relevant data and analysis it to inform management. Proposed expansion of this unit is sensible. However, the design is confused about the organisational “ownership” of SOSEK. To ensure sustainability and set the right incentives for institutional capacity development in MAF SOSEK should be located in MAF NDP&P at commencement of SoL3, with the recurrent budget required for the unit to operate clearly transitioning from mostly SoL budget in program year one to 100% MAF budget by program year four – so that in the final year of SoL3 the unit is program end recurrent GoTL budget is confirmed to demonstrate sustainability.

(M) Develop and clearly set out as a series of measureable steps the exit strategy by end SoL3, with increasing role for MAF staff and declining role for SoL3 team that coincides with a phased reduction in ODA funding replaced by increasing funding from GoTL recurrent budget.

(N) Strengthen the risk management elements of the design by addressing risks relating to: environmental sustainability, MAF absorptive capacity and property rights for varieties developed through SoL programs.

(O) Change the organisational ownership of SOSEK to MAF-NDP&P. It is no longer acceptable or sensible to institutionalise M&E through a PMU – even in a fragile state.

(P) Make the program logic explicit and in doing so distinguish outcomes and outputs to ensure performance can be properly and realistically managed.

(Q) Strengthen and
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<td>sustainably operating as an integral part of MAF. The unit should report to the head of NDP&amp;P and support strengthening of MAF performance systems to compliment monitoring of SoL and evaluation of farmer adoption and food security impacts. Many of the Component EOPOs are actually outputs. As such they are fine but the program logic used for the design needs to identify how these outputs will contribute to the objective and outcomes that contribute towards ultimately achieving the goal. The design would be strengthened if it explicitly nominated a program of supervision by MAF and AusAID to ensure performance management and assure quality. This should include recommended resources for performance management by MAF and AusAID.</td>
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<td>formalise supervision roles for MAF and AusAID to secure technical, development and safeguards quality.</td>
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<td>Will benefits last?</td>
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<td>(R) Address environmental sustainability issues – perhaps by resourcing partnerships with programs supporting improved farming practices and/or building on the experience with Component 3 in SoL2. (S) Address financial sustainability issues by negotiating a phased transition from ODA to recurrent budget through the life of SoL3 so that agreed elements are fully funded by recurrent budget by end program year 4.</td>
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### Criteria

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|          | Environmental sustainability needs to be addressed explicitly. Increasing yield through improved genetics requires addition of nutrients just to replace those removed in increased yields, let alone maintenance of soil health. These agronomic aspects are not addressed and raise concerns about environmental sustainability as well as return on investment since genetic potential cannot be fully expressed without adequate agronomy (plant spacing; nutrition; pest, disease and weed management etc). The livestock analogy is a long history of improved cattle breeding activities in Africa and SE Asia that did not include sustainable feed production in the package – resulting in hungry and ill animals that could not reach their genetic potential: investment wasted.  

The communications and promotions strategy is clear and builds on lessons learned from SoL2. Recognising this is an Australian contribution, not just ACIAR, and that transition to ownership by MAF is critical to sustainability and aid effectiveness, the design should recommend branding rules for SoL3 outputs and communications. Experience in Indonesia suggests that AusAID needs to insist on a branding strategy that is consistent with good development practice and the Australian national interest.  

SoL3 is $25m over 5 years - what is MAF absorptive capacity? This is not addressed. A quick analysis of the 27 existing rural development activities with MAF show SoL3 would be the largest. Can MAF absorb this and transition to leadership? See separate notes.  

The property rights to varieties developed and released by SoL3 needs to be clear from the start, with measures in place to reduce the risk of corrupt practices increasing the cost or reducing access to improved planting material. See recommendation N. | (T) Recommend branding rules for SoL3 outputs and communications that is consistent with good development practice and the Australian national interest. |
|          | **Gender Equality**                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (U) Identify opportunities to learn lessons during implementation from experiences in empowering women farmers from Nusa Tenggara Timor in eastern Indonesia that are relevant to SoL3. |
| 9.       | **How will we achieve gender equality?**  

The Draft Gender Strategy (Appendix 3) is well done and the development issues and opportunities addressed in the design (section 2.2.3) are practical. Use of nutritional value as a varietal selection criterion is important and the proposed capacity development of MAF staff in gender equality is sensible.  

Opportunities for organisational and systematic change in MAF to strengthen the institutional capacity to support gender equality should be explored during implementation. This could especially focus on distribution and extension systems – and the proposed women-only production groups are worth piloting. Experiences in empowering women farmers from Nusa Tenggara Timor in eastern Indonesia are likely to be relevant to SoL3 (see ANTARA Cluster Evaluations and SADI Sub-program 1 Activity Completion Report). | 5            |                                                                                                                                                                                                                                                                                                                                                      |
Answer the following questions relevant to potential impacts of the activity:

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<td>10. Environment</td>
<td>Have the environmental marker questions been answered and adequately addressed by the design document in line with legal requirements under the Environmental Protection and Biodiversity Conservation Act?</td>
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<td>11. Child Protection</td>
<td>Does the design meet the requirements of AusAID’s Child Protection Policy?</td>
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Other comments or issues

These additional notes are presented to support the design team in their response to the QAE comments and recommended actions.

The QAE comments and these notes acknowledge the good job the design team has done – they inherited a program with considerable momentum in a fragile state with an executing agency (MAF) that has very little capacity. Starting from that low base SoL2 has made positive gains but a A$25m investment can only be justified with a more advanced approach to institutional capacity development used to support an explicit exit strategy. That and clear links to other programs or activities that support environmental sustainability, should result in an acceptable return on investment.

Capacity of MAF to absorb a program as large as that proposed for SoL3

The institutional analysis in Appendix 2 rightly identifies a number of risks relating to the scale and nature of the proposed SoL3 investment. The following chart highlights the development challenge facing AusAID – it shows analysis of the related programs that MAF has to manage, based on data set out in Appendix 4. Given the significant change in scale proposed for SoL3, the design should explicitly answer:

- How will MAF change so that it can absorb a program as large as SoL3?
- How will MAF manage the risk of Ministry of Finance substituting donor resources for recurrent budget allocations to sustain operation of MAF activities (e.g. research and extension)?
- Which other donor programs can SoL3 coordinate and harmonise with to support MAF in delivery of sustainable farming systems packages to target farmers?

SoL2 and the TOR for SoL3 design identify the need for more than just genetics

SoL2 Component 3 (especially Outputs 3.4 and 3.5) developed improved crop production packages. Lessons learned from this should inform SoL3 responses to the need for environmental sustainability.

The design team terms of reference, dated March 12 2010, recognised that a contribution to GoTL food security goals by SoL3 would require a comprehensive shift in program orientation: from an adaptive research and technical training program; to a seed production and distribution, crop production extension, and institutional capacity building program [TOR, p1 para 4].

In the Concept Note the objective was ‘the majority of Timorese rural households use improved varieties and associated innovations for core food crops’. In the Preliminary Design Proposal the objective was ‘to assist the majority of Timorese rural households to use improved varieties and associated technologies for basic food crop production’ [TOR p2, footnote 7].
Other comments or issues

The TOR required the design to provide a credible EOPO supported by a robust program logic outlining how the EOPO will be achieved within the proposed timeframe (five years) and budget (A$20 million) [TOR, p2 Section 3.1].

Capacity development

Peer review of the concept note stressed that institutional capacity of MAF was a key constraint (and risk) to the success of SoL3. The Design TOR required the design to stress the importance of sustainability of program benefits beyond 2015 and recognised that this required a strong institutional focus during the design [TOR, p2 Section 3.2].

AusAID has supported work in other fragile states, eg PNG and Solomon Islands, to develop a better understanding of organisational and systematic capacity development of institutions, rather than individual capacity development. Change of the sort proposed for SoL3 comes from organisational and systematic change. This experience suggests that impact comes from changes in capacity to that allow an institution such as MAF to operate as an effective organisation, using five core capability measures1 as shown schematically in the following chart and described generally at outcome level as technical, managerial, strategic and procedural capabilities. From this come more tangible approaches to assess changes in capacity and performance2. These lessons learned by AusAID should be made available to the SoL3 design team and used to ensure that the capacity development elements – a priority identified by both GoTL and AusAID – are designed based on international good practice. For example, Component 4 of SoL3 needs to address much more than capacity to manage a national seed system – it needs to also support, or explicitly link to other programs that support, activities that enable MAF as an organisation to, for example: influence GoTL budget allocation processes; collect, analyse and use performance data; and attract and retain quality staff in Districts and Dili.


Other comments or issues

year 4 and the final year of program implementation can be implemented with resources allocated from the GoTL recurrent budget.

It is important to signal this change from the start – so wherever possible parallel systems should be abandoned and support provided to units or teams transferred to MAF. For example, the SOSEK unit, research teams and extensions teams should be established organisationally within MAF and report to the relevant Director with SoL3 advisers providing support through those Directors. Lessons learned from AusAID programs in PNG and eastern Indonesia provide relevant examples of what is likely to work.

Use of government systems

The design correctly cautions against use of GoTL public finance management systems. This is consistent with the findings of the EU assessment of Timor Leste Public Finance Management systems (February, 2007):

- the budget process requires estimates to be based on Ministry Annual Action Plans (AAPs) prepared with due regard to government policy as expressed in the National Development Plan (NDP) and Sector Investment Plans (SIPs);
- the quality of linkage with SIPs and ministry AAPs tends to be weak but does involve line agencies and the political leadership in an appropriate and timely manner;
- budget papers do contain forward estimates of recurrent revenues and expenditures but capacity constraints and a lack of planning as well as a focus on managing capital development works compromises effective implementation of the policy based budgets;
- although the format of regular reports and information disseminated on revenues and expenditure should be adequate to enable good decision-making, enforcement of transaction controls for management and reporting purposes, they do not achieve these objectives;
- shortcomings in the internal control framework include the lack of availability of financial reports suitable for management analysis and the fact that efficiency, effectiveness and value for money audits are not done;
- the accounting and reporting system’s integrity and robustness is compromised by accepting proposed estimated transactions as expenditure – so that while the cash flow statement is corrected for this problem, its integrity is compromised by recording payments made in respect of these types of transactions from prior years as “other expenditure” – and as a result financial statements significantly overstate expenditure and this problem is becoming material;
- the annual accounts are subject to scrutiny by external auditors but other key external audit activities like performance audits are not conducted so the current external scrutiny of the performance of government financial management is insufficient;
- detailed plans to address the major weaknesses in the control environment which should be firstly concerned with the programming and use of the financial management information system do not yet exist; and
- resource inputs required for facilitating improved capacity, particularly in the management and execution of capital works appears to very large and long term.