

Third Party Evaluation Report 2021
Ministry of Foreign Affairs of Japan

Evaluation of Japan's ODA to the Democratic Republic of Timor-Leste

March 2022

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Waseda University

Preface

This report is an Evaluation of Japan's ODA to the Democratic Republic of Timor-Leste and was commissioned to Waseda University by the Ministry of Foreign Affairs of Japan (MOFA) in fiscal year 2021.

Since its commencement in 1954, Japan's Official Development Assistance (ODA) has contributed to the development of partner countries while also tackling global issues. Today, the international community acknowledges the necessity to improve the effectiveness and efficiency of ODA. MOFA regularly conducts ODA evaluations, most of which are conducted at the policy-level with two main objectives: to improve the management of ODA and to ensure its accountability. These evaluations are commissioned to external third parties to enhance transparency and objectivity.

The objective of this Evaluation was to review Japan's ODA policies for the Democratic Republic of Timor-Leste and make recommendations based on the review to improve policy planning for the effective and efficient implementation of future assistance by the Government of Japan. For accountability purposes, the results in their entirety are available to the general public.

The Evaluation Team in charge of this study consisted of a chief evaluator (Prof. Hasegawa Sukehiro), an advisor (Prof. Yamada Mitsuru), and Waseda University. Prof. Hasegawa supervised the entire evaluation process, and Prof. Yamada provided advice and input on analytical and evaluation perspectives as an expert on Timor-Leste. In addition, to complete this study, we received support from MOFA, the Japan International Cooperation Agency (JICA), government agencies, private companies, and other donors. We would like to take this opportunity to express our sincere gratitude to all those who supported this study.

Finally, the Evaluation Team wishes to note that opinions expressed in this report do not necessarily reflect the views or positions of the Government of Japan.

March 2022

Waseda University

Note: This English version is a translation of the Japanese Report "Evaluation of Japan's ODA to the Democratic Republic of Timor-Leste."

Evaluation Overview

Evaluation Structure

Evaluators (Evaluation Team)

- Chief Evaluator: Prof. HASEGAWA Sukehiro, President of the Global Peacebuilding Association of Japan
- Advisor: Prof. YAMADA Mitsuru, Professor, Faculty of Social Sciences, Waseda University
- Consultant: Waseda University

Evaluation Target Period: JFY 2016 to JFY 2020

Evaluation Implementation Period: August 2021 to February 2022

Field Survey Country: Democratic Republic of Timor-Leste



Engineering Students taking a class at the National University of Timor-Leste

Background, Scope, and Objectives of Evaluation

May 2022 marks approximately 20 years since Timor-Leste established diplomatic relations with Japan following its independence in May 2002. Timor-Leste aims to become a member of ASEAN and is gaining diplomatic importance from the perspective of the Free and Open Indo-Pacific (FOIP) vision promoted by Japan.

Japan's Official Development Assistance (ODA) policies for Timor-Leste over the past five years (JFY 2016-2020) and the assistance provided on that basis were evaluated, with the primary objectives being clarifying the lessons learned and making recommendations for the planning and implementation of Japan's ODA policies for Timor-Leste in the future. It also aims to ensure accountability by publishing the evaluation results to the general public.

Summary of Evaluation Results

• Evaluation from a Development Viewpoint

(1) Relevance of Policies (Evaluation Result: Satisfactory)

■ Verification Item 1: Consistency and Integrity with Japan's High-Level Development Policy

Japan's ODA policy for Timor-Leste is based on the priority areas of support identified in "Japan's Country Assistance Policy for Timor-Leste" (2012), which are "Establishing a Foundation for Promoting Economic Activities," "Agriculture and Rural Development," and "Capacity Development of Government and the Public Sector." It is also based on the priority support areas listed in "Japan's Country Assistance Policy for Timor-Leste" (2017), which are "Development and Improvement of Socioeconomic Infrastructure," "Promotion of Industrial Diversification," and "Improvement and Expansion of Social Service Delivery." All

of these areas are consistent in that they support the basic policy of building the foundation for sustainable national development.

■ **Verification Item 2: Consistency with Timor-Leste's Development Policy and Needs**

Japan's support policy for Timor-Leste is generally consistent with the Strategic Development Plan (SDP) (2011–2030), especially in terms of infrastructure development, industrialization and marketization of agriculture, and human resource development through training and exchange programs in Japan and other efforts. Japan's reconstruction and assistance policies for Timor-Leste have consistently focused on infrastructure development, agriculture, and human resource development. Thus, development needs have become more sophisticated as the society has stabilized and economic standards have improved through oil revenues.

■ **Verification Item 3: Consistency with International Priority Issues, Relationship with Assistance from Other Donors**

The focus areas of Japan's assistance are consistent with the Sustainable Development Goals (SDGs). In the field of infrastructure development, cooperation with the World Bank and Asian Development Bank (ADB) has been particularly consistent. In particular, collaboration in the co-financing of the ADB Road Network Upgrading Project (National Route 1), which emphasized infrastructure development, was noteworthy.

■ **Verification Item 4: Japan's Comparative Advantages**

There were variances among the areas where Japan's comparative advantage in Timor-Leste was demonstrated (such as higher education support) and those where it was not (such as road construction).

(2) Effectiveness of Results (Evaluation Result: Satisfactory)

■ **Verification Item 1: Achievement and Contribution from Japan's ODA (inputs)**

Japan's assistance to Timor-Leste has made a significant contribution in terms of the amount of aid.

■ **Verification Item 2: Achievement and Contribution from Japan's ODA for Each Development Issue (outputs)**

Each of the development issues is in the process of being addressed, and some of the outputs are becoming visible. However, at the project level, some issues remain in terms of efficiency and sustainability due to cost overruns and deadline extensions.

■ **Verification Item 3: Effectiveness of Assistance in Priority Areas (impacts)**

Through efforts to address each development issue, some effects have been observed in the development and improvement of economic and social infrastructure, promotion of industrial diversification, and improvement and expansion of social services.

(3) Appropriateness of Processes (Evaluation Result: Satisfactory)

■ Verification Item 1: Appropriateness of the Formulation Process of Japan's Country Assistance Policy for Timor-Leste

Japan's ODA policy for Timor-Leste was formulated through a generally appropriate process.

■ Verification Item 2: Appropriateness of the Implementation Process of Japan's ODA to Timor-Leste

The implementation process of Japan's ODA to Timor-Leste was well organized and managed. It included the establishment and operation of a basic implementation system, needs assessment, implementation of individual projects based on Japan's priority areas of assistance to Timor-Leste, monitoring and evaluation, and communication.

■ Verification Item 3: Coordination/Collaboration and Considerations in the Implementation Process of Japan's ODA to Timor-Leste

Coordination and collaboration with development-related actors and other actors were appropriately carried out.

*(Note) Rating: Highly Satisfactory / Satisfactory / Partially Unsatisfactory / Unsatisfactory

•Evaluation from a Diplomatic Viewpoint

(1) Diplomatic Importance

Japan's ODA to Timor-Leste can contribute to the Free and Open Indo-Pacific (FOIP) initiative, quality infrastructure, and human security. Furthermore, it would be worthwhile to continue implementing ODA as a tool of Japan's Resource Security Diplomacy.

In past bilateral summits and ministerial meetings, Timor-Leste has expressed gratitude for Japan's ODA, which could play an important role in promoting friendly relations between the two countries.

(2) Diplomatic Impact

Japan's ODA has had some effects on the Timorese government's support for Japan's position in the international community, Japan's visibility in Timor-Leste, and the promotion of friendly relations. However, some issues remain in strengthening the economic relations between the two countries and the advancement of private companies.

Recommendations

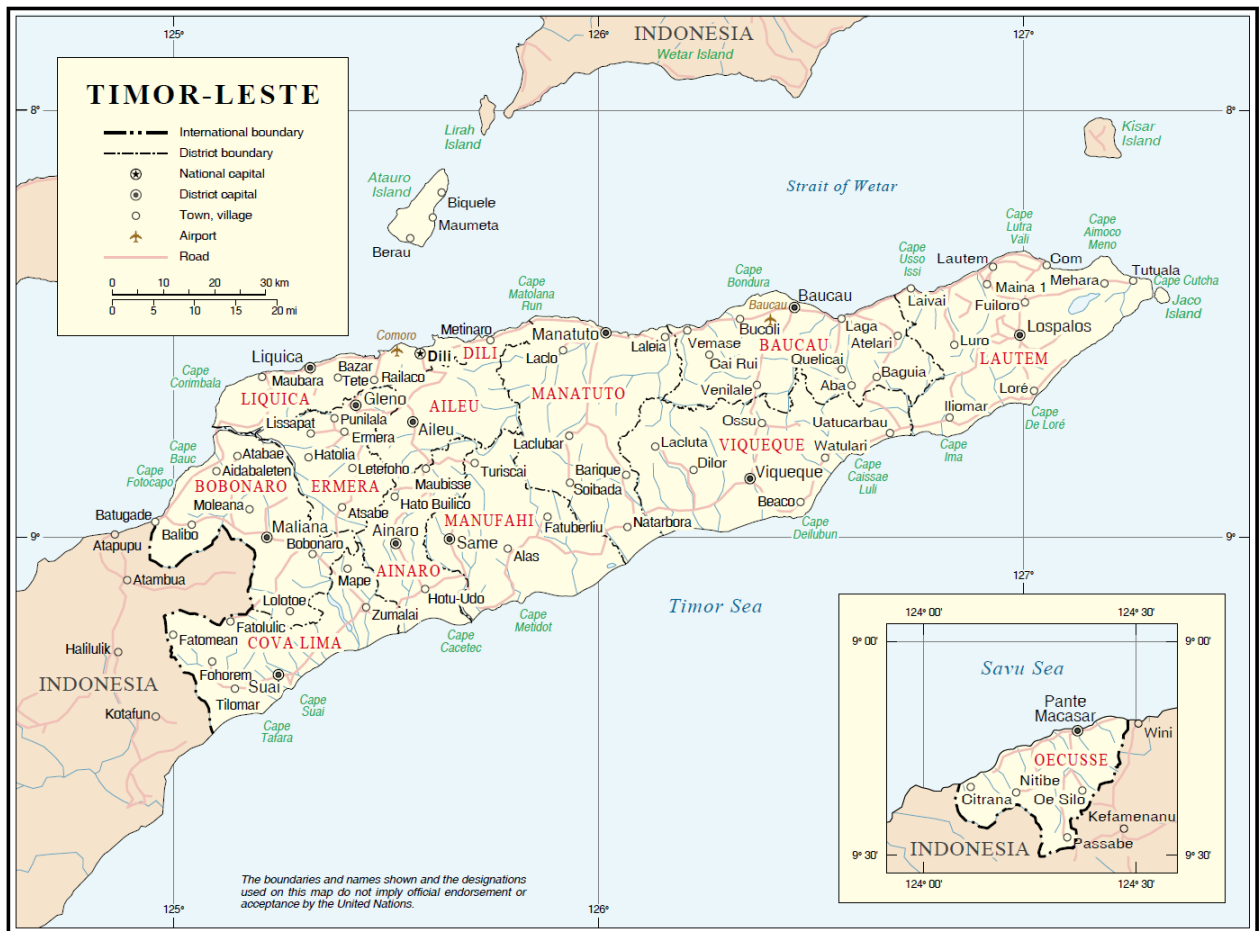
- (1) Supporting Timor-Leste's economic takeoff through "high-quality" ODA provision
- (2) Expanding support for environmental infrastructure in anticipation of graduation from LDC
- (3) Fostering professionals and industrial workers in cooperation with the foreign technical intern training program

- (4) Becoming a preferred country of investment through environmental improvement and promotion of tourism resources
- (5) Contributing to overarching policy covering the entire infrastructure sector to create “resilient infrastructure”
- (6) Strategically expanding Japan’s ODA to strengthen Timor-Leste’s governance capacity

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Location Map of Timor-Leste



Map No. 4111 Rev. 11 UNITED NATIONS
November 2011 (Colour)

Department of Field Support
Cartographic Section

(Source) United Nations (2011)

Country Profile of Timor-Leste

Country	The Democratic Republic of Timor-Leste
Area	Approximately 14,000 square kilometers (Roughly the total area of Tokyo, Chiba, Saitama, and Kanagawa prefectures combined)
Population	Approximately 1,300,000 (source: World Bank 2021 Report)
Capital	Dili
Ethnicity	Melanesians and Papuans. Others of Malay, Chinese, and mixed descent (mainly Portuguese for European descent)
Language	Official Languages: Tetum, Portuguese Spoken Languages: Indonesian, English Dialects: approximately 30
Religion	Catholicism: 97.6%, Protestantism: 2%, Islam: 0.8%

(Sources) CIA Factbook (2020), MOFA "Basic Data" The Democratic Republic of Timor-Leste (2022)

CHAPTER 1 BACKGROUND, OBJECTIVES, AND EVALUATION FRAMEWORK

1-1 Evaluation Background and Objectives

The Ministry of Foreign Affairs of Japan (MOFA) conducts ODA evaluations, which are generally classified into policy-, program-, and project-level evaluations, with the objective of improving the management of ODA and ensuring accountability to the Japanese people. The evaluation of Japan's ODA for the Democratic Republic of Timor-Leste¹ (hereafter referred to as "this evaluation") is a policy-level Country Assistance Evaluation. The main objectives of Country Assistance Evaluations are to examine the ODA implementation status in the recipient country, provide feedback regarding Japan's ODA policy to the recipient country, and improve the understanding of Japan's ODA among Japanese citizens.

Timor-Leste established diplomatic relations with Japan following its independence in May 2002; the country will mark the 20th anniversary of its independence in May 2022. Since its independence, Timor-Leste has achieved a high economic growth rate supported by oil and natural gas revenues. However, due to COVID-19, the economy experienced a decline of more than 7% in 2020, despite the country's strict lockdown and its success in controlling the infection rate. The country aims to become a member of the Association of Southeast Asian Nations (ASEAN), which is increasing its diplomatic significance in terms of the Free and Open Indo-Pacific (FOIP) vision promoted by Japan.

This evaluation considers 20 years of diplomatic relations between Japan and Timor-Leste and evaluates Japan's ODA policies for Timor-Leste over the past five years (JFY 2016–2020) and the assistance provided on that basis, with the objective of clarifying the lessons learned and making recommendations for the planning and implementation of Japan's ODA for Timor-Leste in the future. In addition, it aims to ensure accountability by publishing the evaluation results to the general public and providing feedback regarding the evaluation results to the Government of Timor-Leste and other donors.

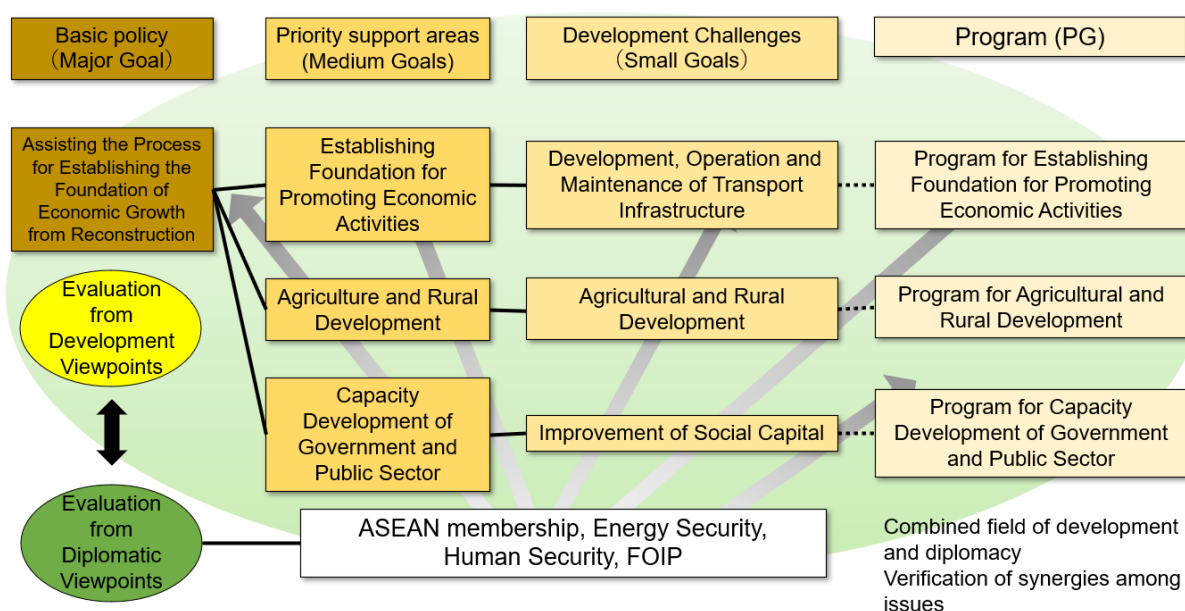
1-2 Scope of Evaluation

The scope of this evaluation covers Japan's ODA policies for Timor-Leste over the past five years (JFY 2016–2020) and the assistance provided on that basis. Individual projects are included in the analysis if

¹ This is the first country-specific evaluation of Timor-Leste. A thematic evaluation (peacebuilding) focusing on the country's case study was conducted in 2010.

they have signed an Exchange of Notes (E/N) or are in the process of being implemented after signing an E/N between JFY2016 and JFY2020.

In addition to the basic policy (Major Goal) of “Assisting the Process of Establishing the Foundation for the Sustainable Development of the Country” and priority areas (Medium Goals) listed in Japan’s Country Assistance Policy for Timor-Leste (2017), which are (1) “Development and Improvement of Socioeconomic Infrastructure,” (2) “Promotion of Industrial Diversification,” and (3) “Improvement and Expansion of Social Service Delivery,” diplomatic perspectives are included to develop a systematic chart of goals (Logic Model / Figure 1). Diplomatic perspectives include ASEAN membership, energy security, human security, and the Free and Open Indo-Pacific (FOIP) initiative.



(Note) FOIP: Free and Open Indo-Pacific

Figure 1 Logic Model of Japan’s ODA Policy for Timor-Leste

Development and diplomacy should not be bifurcated, and attention should be paid to overlapping fields and synergies among issues. In addition, because of the devastating impact of COVID-19 on the global economy in 2020, it was decided that it was desirable to adopt some of the concepts of the Theory of Change (TOC), which is not limited to the internal logic of the program under intervention but also includes the impact of the policy on the ultimate realization of the intended effect.

1-3 Evaluation Methodology

1-3-1 Evaluation Methodology

In accordance with the MOFA's ODA Evaluation Guidelines (June 2021), in addition to the evaluation from a development viewpoint that covered (1) the Relevance of policies, (2) Effectiveness of results, and (3) Appropriateness of Processes, an evaluation was also conducted from a diplomatic viewpoint in view of Japan's national interests covering (1) Diplomatic Importance and (2) Diplomatic Impact. The main verification items and details used as the evaluation criteria are shown in Table 1 (See the Appendix for the evaluation framework that organizes the details of the evaluation perspectives, evaluation criteria, verification items and indicators, and information sources).

Table 1 Evaluation Viewpoints, Criteria, and Main Verification Items

Evaluation Viewpoints	Evaluation Criteria	Equivalent DAC Evaluation Criteria	Verification Items / Abstract
Development	Relevance of Policies	Relevance, Coherence	Coherence with Japan's high-level ODA policies for Timor-Leste, international priority issues, development needs in Timor-Leste, direction of assistance from other donors (including emerging donors), comparative advantages of Japan
	Effectiveness of Results	Relevance, Coherence, Efficiency, Impact, Sustainability	Effectiveness in line with the logic of policy inputs to outputs and outcomes/impacts (Impact evaluation taking into account the influence of other donor support and external factors such as COVID-19)
	Appropriateness of Processes	Efficiency	Appropriateness of aid policy formulation process, aid implementation process, and aid implementation system (collaboration with other donors, agencies, and various aid actors)
Diplomacy	Diplomatic Importance	Coherence	How ODA to Timor-Leste is expected to contribute to Japan's national interests
	Diplomatic Impact	Coherence	How ODA to Timor-Leste has contributed to Japan's national interests

(Source) Compiled by the Evaluation Team

Regarding the evaluation from the development viewpoint and the three evaluation criteria ([1] Relevance of Policies, [2] Effectiveness of

Results, and [3] Appropriateness of Processes), the four grades are “Highly satisfactory,” “Satisfactory,” “Partially Unsatisfactory,” and “Unsatisfactory” in line with the ratings in the “Evaluation from Development Viewpoint Rating Scale Chart” presented in the Japanese version of the ODA Evaluation Guidelines (July 2021, English version to be posted in due course).² Note that no rating will be given for the diplomatic viewpoint.

In terms of a basis for rating the evaluation criteria where there are multiple verification items, the evaluation team provided its own sub-rating for the verification items across three grades, namely “High,” “Fair,” and “Low.”

1-3-2 Evaluation Implementation Period and Procedures

The study period was from August 2021 to February 2022. Figure 2 shows the flow of implementation of this evaluation. At the first study meeting (August 2021), the evaluation implementation plan was finalized, and intermittent surveys were conducted both remotely in Japan (September 2021 to December 2021) and in the field (October 2021 to December 2021). The data and information collected in these surveys were organized and analyzed through the second (December 2021) and third (January 2022) study meetings and compiled into a report (in Japanese and English) and an appendix (in Japanese).

² In place of the ODA Evaluation Guidelines (13th edition) (June 2020), the ODA Evaluation Guidelines (July 2021) and ODA Evaluation Handbook (July 2021) were established, and the former letter ratings (A, B, C, D) were eliminated.

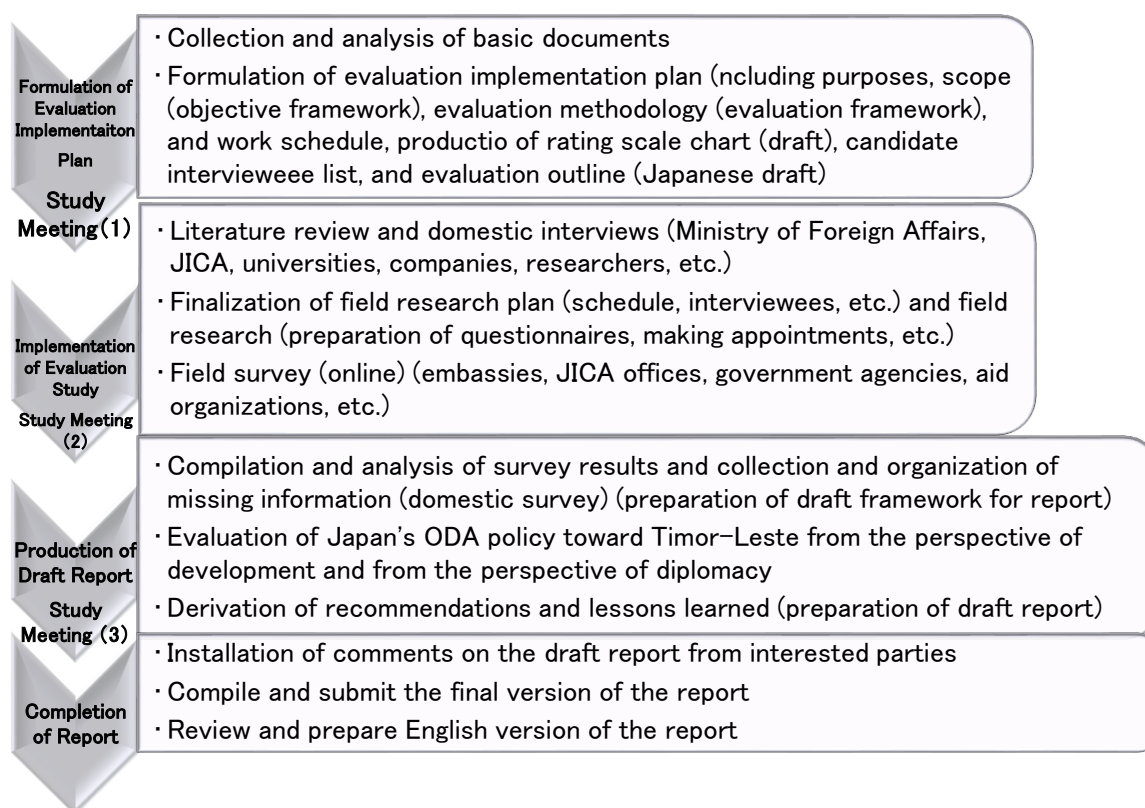


Figure 2 Flow of Implementation of Evaluation Study
 (Source) Created by the Evaluation Team

1-4 Limitations of the Evaluation

Due to the COVID-19 pandemic, travel to Timor-Leste could not be realized, and field surveys were conducted remotely. A site visit of the project was conducted by a Japanese consultant living in Timor-Leste. Questionnaires were sent to relevant ministries and agencies and collected by the Embassy of Japan in Timor-Leste, and online interviews were conducted.

1-5 Evaluation Team

The evaluation was conducted by an evaluation team consisting of members, as listed in Table 2. Under the guidance of the chief evaluator and advisor, the consultant collected, organized, and analyzed the information necessary for the evaluation. At the three meetings, external experts (Professor Yamaya Kiyoshi, Faculty of Policy Studies, Doshisha University), the Ministry of Foreign Affairs, and JICA's related division discussed the framework, direction, and validity of the evaluation. In addition to the evaluation team, the official in charge of the ODA Evaluation Division of the Minister's Secretariat participated in part of the field surveys and domestic interviews as an observer.

Table 2 Members of the Evaluation Team

Role	Name	Affiliation/Position
Chief Evaluator	Prof. HASEGAWA Sukehiro	President of the Global Peacebuilding Association of Japan
Advisor	Prof. YAMADA Mitsuru	Professor at the Faculty of Social Sciences, Waseda University
Chief Consultant / Evaluation Analyst 1	Prof. DAIMON Takeshi	Professor and head of the Organization for Regional and Inter-regional Studies, Waseda University
Deputy Chief Consultant / Evaluation Analyst 2	Prof. UESUGI Yuji	Senior researcher, Organization for Regional and Inter-regional Studies, Waseda University
Evaluation Analyst 3	Prof. INADA Juichi	Senior researcher, Organization for Regional and Inter-regional Studies, Waseda University
Field Researcher 1	Mr. HIGUCHI Yohei	General Manager of Timor-Leste project, NPO Okinawa Peace Assistance Center (OPAC)
Field Researcher 2	Ms. NIWA Chihiro	Field Operations Coordinator, Timor-Leste Office, NPO Okinawa Peace Assistance Center (OPAC)

(Source) Created by the Evaluation Team

CHAPTER 2 OVERVIEW OF TIMOR-LESTE AND TRENDS IN ODA

2-1 Political System

2-1-1 Political Trends³

Timor-Leste achieved independence on May 20, 2002, after being governed by the United Nations Transitional Administration in East Timor (UNTAET). It will celebrate its 20th anniversary of independence in 2022. The armed clashes in 2006 and the attacks on the president and prime minister in 2008 drew international attention, but security has been relatively stable since the return of police powers from the UN police to the national police in May 2009. The Strategic Development Plan (SDP) (2011–2030), which forms the basis for national development, was formulated in April 2010 (announced in July 2011), and the country has begun full-scale national development.

President Francisco Guterres Le Oro was elected in 2017 for a five-year term, and the next presidential elections will be held in March 2022. The United States and EU are planning to send election observers to the country, where conducting the first elections under the COVID-19 pandemic without delay will be a challenge. The country is said to have established the second most democratic political system⁴ in Southeast Asia after Malaysia.

An international comparison of governance (see Appendix 1-1-7) showed that the country maintains a high level of security, protection of rights, and legitimacy of government among ASEAN members and countries that have experienced conflict. In contrast, its performance is below the average of these countries in terms of external dependence and social capital formation. In addition, challenges remain in the area of governance, including law enforcement and the institutionalization of law and order, as pointed out in MOFA's Third-Party Evaluation (Evaluation of Assistance for Peacebuilding) in JFY2010.

2-1-2 Foreign Policy

Timor-Leste maintains friendly relations with countries in the Community of Portuguese Language Countries (CPLP). Timor-Leste formally applied for ASEAN membership in March 2011 and continues efforts to become a full

³ MOFA (2022) "Japan-Timor-Leste Relations (Basic Data)," MOFA (2010) "Evaluation of Assistance for Peacebuilding"

⁴ There are only five "full democracies" (Economic Intelligence Unit 2020) in the Asia-Pacific region: New Zealand (1st), Australia (2nd), Taiwan (3rd), Japan (4th), and South Korea (5th). Timor-Leste ranks seventh, behind Malaysia (6th).

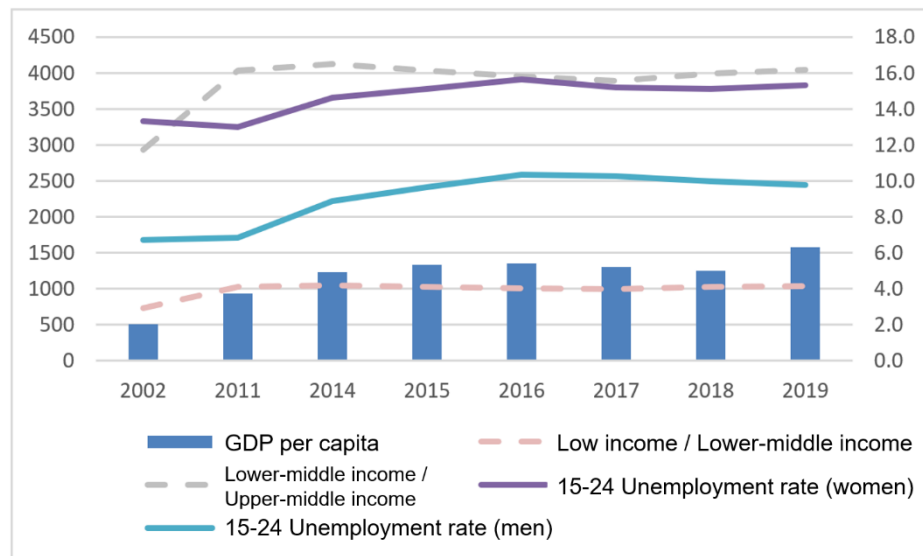
member. The country joined the ASEAN Regional Forum (ARF) in July 2005 and signed the Treaty of Amity and Cooperation in Southeast Asia (TAC) in January 2007.

Japan-Timor-Leste relations began with the Japanese state's recognition of Timor-Leste on May 20, 2002, when it regained its independence. The same day, an embassy was opened (concurrently with the embassy in Indonesia) in Dili, the capital city of Timor-Leste, and it became the official embassy in January 2004. Since Prime Minister Koizumi's first visit in April 2002, ministers have visited the country at every opportunity. Defense Minister Nakatani (June 2016) and Foreign Minister Kono (October 2018) have also visited the country. From the Timor-Leste side, President Shannana Gusmão and President Ramos-Horta have visited Japan several times. Other dignitaries have continued to visit Japan since 2015, including President Luwak (March 2016), Shannana Gusmão (former president and prime minister), the Minister of Guidance (October 2016), and the Minister of Strategy and Investment (November 2021).

2-2 Economic Status

Timor-Leste's economy is dependent on oil revenues. In 2018, a maritime boundary treaty with Australia⁵ was signed, and oil revenues began to be included in the country's GDP in 2019. The country has relied on the Petroleum Fund for most of its finances (revenue) while supplementing (parliamentary approval required) in excess of the Estimated Sustainable Income (ESI) (3% cap on petroleum resources) set by the Petroleum Fund Law (enacted in 2005, revised in 2011). Non-oil sectors include services (tourism), construction, and agriculture, but tourism revenues plummeted in 2020 because of COVID-19. Diversification of the industrial structure is a national goal, which is also stated in the SDP.

⁵ Treaty Between Australia and the Democratic Republic of Timor-Leste Establishing Their Maritime Boundaries in the Timor Sea (Signed March 6, 2018; Published August 30, 2019): Under the treaty, the maritime boundary between the two countries was set at the midline from the coastlines of both countries. The revenues from the current Bayu-Undan gas field and the Buffalo and Kitan oil fields belong to Timor-Leste, in addition to 70-80% of the revenues from the future Greater Sunrise gas field (Refer to the Appendix for details).



(Source) World Development Indicators (World Bank 2021)

(Note) Left axis: income level (US\$); Right axis: unemployment rate (percent).

Figure 2 Income and Employment in Timor-Leste

At the time of independence, the country's GDP per capita was below the low-income quintile in the World Bank's classification, but it reached the lower-middle-income quintile in the late 2010s. The SDP aims to double the country's income to the upper-middle-income quintile by 2030. The unemployment rate among young people (especially women) remains high, and the key is to develop industries that can provide employment.

In terms of external economic relations, the country has been in a constant state of over-investment in coffee beans, which account for the majority of exports other than oil and natural gas. Direct investment is on a slight upward trend. Japan is the top export destination,⁶ and Indonesia is the source of most imports.

According to the World Bank Doing Business Survey (190 countries)⁷ on the investment climate, the country is in the bottom group in terms of contract enforcement and real estate registration. Thus, law enforcement is a challenging task. In addition, the country ranks 52 out of 179 countries in the Fragile States Index (FSI) rankings (2020 survey). Compared to conflict-ridden nations and neighboring countries, Timor-Leste scored better in terms of security, protection of rights, and legitimacy, but worse than other countries in terms of external dependence and social capital. Therefore, it is necessary for Timor-Leste to

⁶ Destination of coffee bean exports (2020): No. 1 Canada, No. 2 US, No. 3 Japan

⁷ Allegations of fraud in the Doing Business Index (2016–2020) by World Bank staff have been uncovered and future investigations have been suspended. (World Bank Board Decision, September 2021)

develop institutional infrastructure and overcome dependence on foreign countries.

In the Human Development Index (HDI) for 2019, Timor-Leste was languishing in the bottom group at 141st. This is because of the basis for the HDI calculations. The country's GNI per capita (2017 PPP equivalent) is US\$4,440 (US\$4,486 for women and US\$4,395 for men) and life expectancy at birth is 69.5 years (71.6 years for women and 67.5 years for men), which are of relatively high standard. However, the projected number of years of schooling is 12.6 years (12.2 years for females and 13.0 years for males) and the average number of years of schooling is 4.8 years (3.8 years for females and 5.6 years for males), which bring down its position in the index. In addition to improving the opportunities and quality of education, it is also necessary to increase the return on investment in education. A higher return on investment will provide incentives for education and skills training.

2-3 Development Policy of Timor-Leste

The Timor-Leste government released the SDP in July 2011 after approval by the National Assembly. The SDP was formulated by President Shannana Gusmão, who traveled to all 65 counties in the country and held direct discussions with local residents. The goal is to become an upper middle-income country by 2030 by transitioning away from its economic dependence on oil. The report outlines sectoral and issue-specific targets with numerical goals for the short term (2011–2015), medium term (2016–2020), and long term (2021–2030) as shown below (refer to the Appendix for details).

Social Capital: Education and Training, Health, Social Inclusion, Environment, Culture and Heritage

Infrastructure Development: Roads and Bridges, Water and Sanitation, Electricity, Seaports, Airports, Telecommunications

Economic Development: Rural Development, Agriculture, Petroleum, Tourism, Private Sector Investment

Institutional Framework: Security, Defense, Foreign Affairs, Justice, Public Sector Management and Good Governance, National Development Agency / Economic Policy and Investment Agency

Economic Context and Macroeconomic Direction: Our economic vision

The year 2020 was the completion year for the mid-term goals and therefore the time when the interim results of the SDP should have been evaluated and

examined. However, due to the unexpected COVID-19 pandemic, the government of Timor-Leste has yet to conduct a self-evaluation. It will be necessary to have a national debate in the future, including the reestablishment of interim goals and target years.

The Government of Timor-Leste has taken the position that the SDP is consistent with the Sustainable Development Goals (SDGs) formulated in 2015, and the Government of Japan is working alongside to achieve the goals. To support the creation of a foundation for sustainable national development, Japan has identified three priority areas for assistance: Establishing the Foundation for Promoting Economic Activities, Agriculture and Rural Development, and Capacity Development of the Government and Public Sector.

2-4 Trends in ODA to Timor-Leste

2-4-1 Trends in Bilateral Cooperation

The OECD/DAC Report on Cumulative ODA Expenditure for 2011–2019 showed that Australia was the top donor with about \$620 million, far ahead of Japan in second place (approximately \$240 million) and the United States in third place (approximately \$230 million). Between 2002 and 2010, the top three donors were Australia (approximately \$620 million), Portugal (approximately \$440 million), and the United States (approximately \$290 million). The number of emerging donors, such as the Republic of Korea and China, has also increased in recent years.

Table 1 Bilateral Donors' ODA Provision (Total Expenditure, in US million dollars)

Country / Year	2002-2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2019
1. Australia	616.4	77.0	80.5	86.1	75.8	64.3	58.0	66.0	56.8	52.6	617.1
2. Japan	146.1	20.3	14.4	20.7	19.1	21.5	36.7	24.9	32.1	49.1	238.9
3. United States	291.6	41.4	24.2	21.8	30.6	19.1	21.2	23.8	23.1	28.1	233.3
4. Portugal	440.4	24.9	19.3	16.0	16.3	14.0	15.5	15.9	15.4	14.7	152.0
5. New Zealand	45.0	7.6	7.8	8.2	9.3	15.3	10.9	11.0	12.8	13.5	96.4
6. South Korea	8.6	7.4	8.0	3.7	3.9	9.1	12.2	11.4	6.6	11.5	73.6
China (non-official)		9	13.5	n.a.	15	63	n.a	1.2	na	na	

(Source) China: AidData (2021); Others: Creditor Reporting System (OECD 2021)

(Note) Actual figures for top 6 countries and China (by OECD/DAC definition, including non-ODA) (2019 base)

2-4-2 Trends in Multilateral Cooperation

In terms of multilateral assistance, the European Union (EU) (cumulative total of about \$180 million from 2011 to 2019) ranks first, followed by the Asian Development Bank (ADB) (about \$130 million), World Bank (about \$60 million), and UNDP (about \$10 million).

Table 2 Multilateral Donors' ODA Provision (Total Expenditure, in US million dollars)

Country / Year	2002-2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2019
1. EU	122.8	77.0	80.5	86.1	75.8	64.3	58.0	66.0	56.8	52.6	178.0
2. ADB	1.5	20.3	14.4	20.7	19.1	21.5	36.7	24.9	32.1	49.1	130.5
3. World Bank	28.2	41.4	24.2	21.8	30.6	19.1	21.2	23.8	23.1	28.1	63.0
4. UNDP	17.7	24.9	19.3	16.0	16.3	14.0	15.5	15.9	15.4	14.7	12.2

(Source) Creditor Reporting System (OECD 2021)

(Note) Actual figures for top 4 countries (2019 base)

2-5 Trends in Japan's ODA to Timor-Leste

2-5-1 Japan's ODA Policies for Timor-Leste

Japan's assistance to Timor-Leste can be divided into two phases: the "recovery phase" from the restoration of independence in 2002 to 2010, and the "take-off phase" wherein the nation is aiming to become an upper-middle-income country by 2030, following the formulation of the SDP in 2011. During the "recovery phase," Japan mobilized non-ODA interventions such as road maintenance and repair by the Self-Defense Forces Facilities Unit and provided "peace consolidation" assistance with human security in mind. The first donor meeting (December 1999) was held in Tokyo, and Prime Minister Koizumi visited the country in April 2002, increasing Japan's presence.

At the Abe-Ruak Summit in Tokyo (March 2016), the two leaders reaffirmed that shared fundamental values, such as democracy, freedom, and the rule of law, form an important basis for bilateral relations. At the same time, they agreed to intensify cooperation in the "take-off phase," including by expanding the role of the private sector and issued a joint press release on "Advanced Partnership towards Growth and Prosperity."⁸

⁸ "Advanced Partnership towards Growth and Prosperity" (March 15, 2016)
<https://www.mofa.go.jp/mofaj/files/000139857.pdf>. Accessed January 26, 2022

Japan's Country Assistance Policy for Timor-Leste was revised in May 2017, setting "Assisting the Process of Establishing the Foundation for Sustainable Development of the Country" as the basic policy with three priority areas: (1) Development and Improvement of Socioeconomic Infrastructure, (2) Promotion of Industrial Diversification, and (3) Improvement and Expansion of Social Service Delivery.

2-5-2 Achievement of Japan's ODA to Timor-Leste

The results of assistance by type are shown below, with only one case of loan aid (National Road No.1 Upgrading Project).

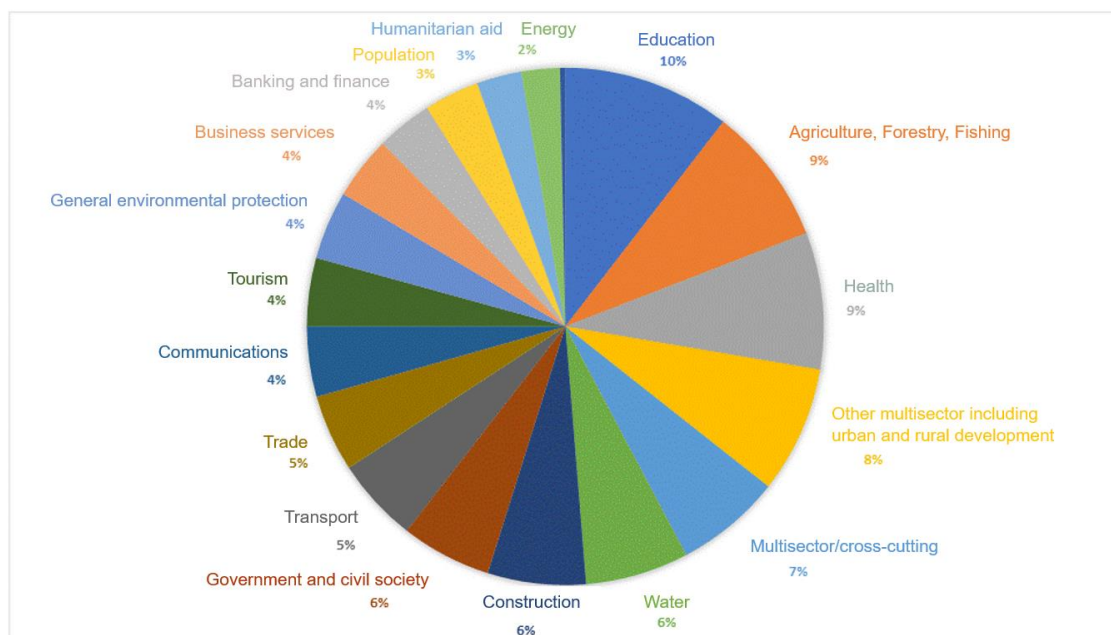
Table 3 Number of Cases and Amount of Japan's ODA to Timor-Leste (E/N based, Unit: 100 million yen)

JFY	Loan Aid		Grant Aid					Technical Cooperation
	Cases	Amount	Cases	N-ren	GGP	UN collab.	Amount	
2011	1	52.78	11	2	7	1	3.94	0
2012	0	0	15	4	9	0	2.40	0
2013	0	0	17	4	10	1	5.56	1
2014	0	0	16	4	9	0	17.92	1
2015	0	0	12	4	3	0	40.57	1
2016	0	0	14	5	6	1	13.42	3
2017	0	0	13	4	6	0	34.23	0
2018	0	0	15	4	6	2	16.40	0
2019	0	0	15	4	9	0	3.17	0

(Note) "N-ren" refers to Grant Assistance for Japanese NGO Projects, "GGP" is an abbreviation for Grant Assistance for Grassroots Human Security Projects, and "UN collab." refers to contributions from international organizations. Unless otherwise noted, this refers to the grant aid provided by JICA. For technical cooperation, individual experts or training are excluded, and only the projects listed in "Japan's ODA Data by Country" are listed.

(Source) MOFA Japan (2012-2020) "Japan's ODA Data by Country"

In terms of sectoral aid status, Japan is providing balanced support to all sectors in the OECD/DAC classification (Figure 4). This is in contrast to Portugal, which focuses on the education sector, and the United States, which focuses on agriculture. This is due to the fact that the majority of Japan's assistance, mainly N-ren and GGP, is small-scale grant aid of less than 100 million yen per project, and the areas of assistance are diverse as shown in Table 5.



(Source) Credit Reporting System (OECD 2021)

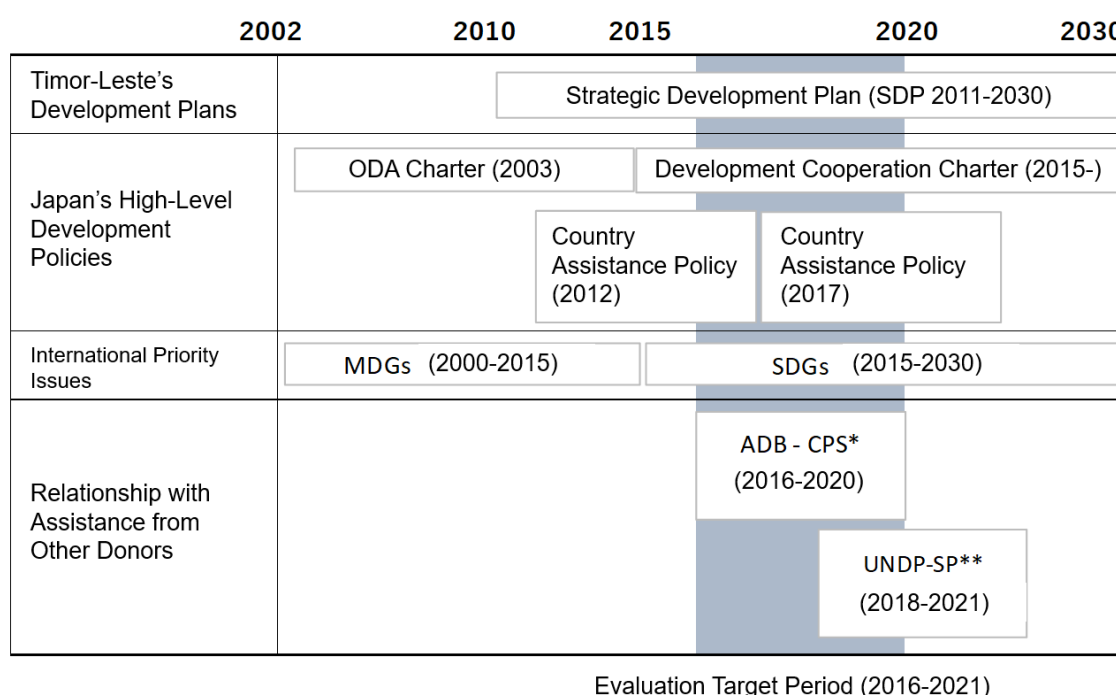
Figure 3 Sectoral Aid Status (2011–2019 cumulative expenditure base)

CHAPTER 3 EVALUATION RESULTS

3-1 Evaluation from Development Viewpoints

3-1-1 Relevance of Policies

This section assesses the “Relevance of policies” of Japan’s ODA to Timor-Leste by examining the following predetermined verification items: (1) Consistency and integrity with Japan’s high-level development policies, (2) Consistency with Timor-Leste’s development needs, (3) Consistency with international priority issues, relationship with assistance from other donors, and (4) Japan’s comparative advantages. Japan’s ODA policy toward Timor-Leste is based on Japan’s Country Assistance Policy for Timor-Leste formulated in 2012 and 2017.



(Note) Abbreviations: *Country Partnership Strategy ** Strategy Plan

Figure 4 Transition of Development-Related Policies

(1) Verification Item 1: Consistency and integrity with Japan’s high-level development policies (Result: Satisfactory)

Japan’s policy is in line with the basic policies of the Development Cooperation Charter (2015), such as “Contributing to peace and prosperity through cooperation for non-military purposes” and “Promoting human security.” It is also aligned with priority policies including “Quality growth and poverty eradication

through such growth” and “Sharing universal values and realizing a peaceful and secure society.”

In addition, the priority areas listed in Japan’s Country Assistance Policy for Timor-Leste (2012), which are “Establishing a Foundation for Promoting Economic Activities,” “Agriculture and Rural Development,” and “Capacity Development of Government and the Public Sector,” and the priority areas in Japan’s Country Assistance Policy for Timor-Leste (2017), which are “Development and Improvement of Socioeconomic Infrastructure,” “Promotion of Industrial Diversification,” and “Improvement and Expansion of Social Service Delivery” are all consistent with the basic policy (major goal) of “Assisting the Process of Establishing the Foundation for Sustainable Development of the Country.”

(2) Verification Item 2: Consistency with Timor-Leste’s Development Needs (Result: Satisfactory)

(i) Consistency with Timor-Leste’s Development Plans

Japan’s aid policy for Timor-Leste is generally consistent with the medium-and long-term goals and priority policies set forth in the SDP, particularly in the areas of infrastructure development, industrialization and marketization of agriculture, and human resource development through initiatives such as training and study in Japan. Furthermore, the SDP corresponds to the SDGs and is highly consistent with the international development goals.

However, support for the private sector, trade, and governance is relatively low. According to the World Bank’s Doing Business Index (World Bank 2020), Timor-Leste ranks 181st out of 190 countries,⁹ and deep-rooted problems, including inadequate law enforcement, have been pointed out, especially in the area of contract default (ranked 190th, the lowest). In addition, there is still much room for improvement in capacity building of staff in the public sector as well as their capabilities for maintenance and management, and further support in the area of governance is required.

(ii) Consistency with Timor-Leste’s Development Needs

Japan’s reconstruction and assistance policies for Timor-Leste have consistently focused on infrastructure development, agriculture, and human

⁹ Note that Angola is ranked 177th, Haiti 179th, and the Democratic Republic of Congo 180th. Refer to the Appendix for details.

resource development since the 3rd Timor-Leste Donor Conference (2000) held in Brussels. The consolidation of peace has been added since 2005, but development needs have become more sophisticated as the society has stabilized and economic levels have increased due to oil revenues. Industrial diversification and the expansion of social services are necessary for Timor-Leste's economy to take off.

Among national priorities, the need for a clean and efficient government, good governance, and high-quality public services has been recognized since independence. However, raising awareness through human resource development in a broader sense is essential for improving the capacity of the public sector and addressing law enforcement gaps in business transactions.

Japan's assistance to Timor-Leste focuses on the "Improvement and Expansion of Social Service Delivery" as one of the key areas of support, which is in line with the development needs of the country. On the other hand, to ensure the stability of business transactions, Japan should consider providing more comprehensive support in the field of governance to the judiciary, such as the development of laws centering on the Companies Act and training of legal professionals. In the area of governance, Japan has traditionally provided support for elections and other activities through UN agencies but extending the range of support in this field is highly significant.

(3) Verification Item 3: Consistency with international priority issues, relationship with assistance from other donors (Result: Satisfactory)

(i) Consistency with international priority issues (SDGs)

Japan's priority areas of assistance to Timor-Leste, as indicated in Japan's Country Assistance Policy for Timor-Leste (2012 and 2017), and its performance are consistent with the SDGs.

(ii) Relationship with assistance from other donors

In the pre-independence period (1999–2001) and reconstruction period (2002–2010), Japan played an active role in aid coordination by hosting donor conferences. However, during the take-off period (2011–), Japan has had relatively fewer opportunities to take the lead in aid coordination as a donor due to the entry of new donors and a shift in policy toward private sector-led economic development.

However, in the field of infrastructure development, cooperation through co-financing with ADB (National Road No.1 Upgrading Project) was particularly consistent. That is, (1) there was complementarity at the project level (co-financing of National Road No.1); (2) Japan managed the construction (yen loan), while ADB financed the construction; and (3) ADB (de facto) monitored the entire National Road No.1 project. National Road No. 1, developed with Japanese yen loans, greatly exceeded the project cost estimated at the time of screening, forcing a drastic reduction in scope. The shortage of funds could not be covered by the Timor-Leste government alone; therefore, the ADB provided an additional loan.

(4) Verification Item 4: Japan's comparative advantages (Result: Partially Unsatisfactory)

The construction of a new building (grant aid) for the Faculty of Engineering at the National University of Timor-Leste (UNTL) is an example of the success in dispatching professors and other experts from Japanese universities (technical cooperation). Since there are several donors other than Japan that provide financial and technical cooperation, including the ADB, it cannot be said that Japan has a comparative advantage. However, Japan's advantage is recognized in the field of higher education since no other donor provides such support. In the case of National Road No.1, which was built through international competitive bidding, a non-Japanese company was awarded the contract. While this does not indicate the presence or absence of Japan's comparative advantage in the road sector, it was a case where Japan could not have demonstrated its edge even if it had possessed it.

Meanwhile, in the field of infrastructure development, donors other than Japan are shifting from the old development paradigm of direct funding to active promotion of public-private partnerships (PPP). The International Finance Corporation (IFC), a member of the World Bank Group, implemented the construction of Tibar Port as a PPP project with Australian assistance.¹⁰ This case is suggestive of the direction of Japan's assistance to Timor-Leste.

JICA has institutionalized an ODA loan scheme for infrastructure development projects using the PPP method, making it possible to provide loans to developing country governments, invest in state-owned enterprises in developing countries, and offer support for Japanese companies and financial institutions participating

¹⁰This is a case where a French company invested in the project and a Chinese company was contracted to build it.

in projects through overseas investment and loans. In addition, PPP support methods other than those of JICA are envisaged, including loans and guarantees by the Japan Bank for International Cooperation (JBIC) and trade insurance by Nippon Export and Investment Insurance (NEXI).

<Summary of Policy Relevance>

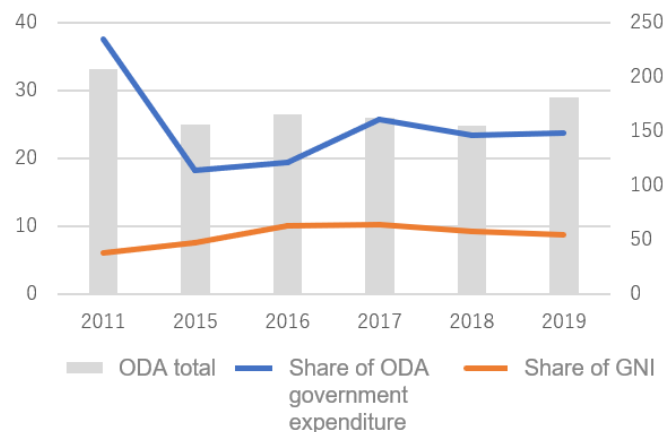
Consistency with Japan's high-level policies, consistency with Timor-Leste's development policies and needs, consistency with international priorities, and relationship with other donor assistance are outstanding; therefore, the appropriateness of the policy is judged to be "high."

3-1-2 Effectiveness of Results

With the objective of evaluating the effectiveness of results from Japan's ODA to Timor-Leste, this section assesses the three predetermined verification items: (1) Achievement and contribution from Japan's ODA (inputs), (2) Achievement and contribution from Japan's ODA for each development Issue (outputs/outcomes), and (3) Effectiveness of assistance in priority areas (impact).

Regarding development issues and priority areas, as no quantitative targets were set, it was difficult to verify the quantitative impact of Japan's support. Therefore, after confirming the contribution (outcomes) from the achievement of Japan's support (outputs) with regard to each development issue, the contribution made to the set objectives as a result of Japan's ODA to Timor-Leste was verified by confirming relevance with the priority areas and the status of the achievement of the initial purposes of the projects.

(1) Verification Item 1: Achievement and Contribution from Japan's ODA (inputs)

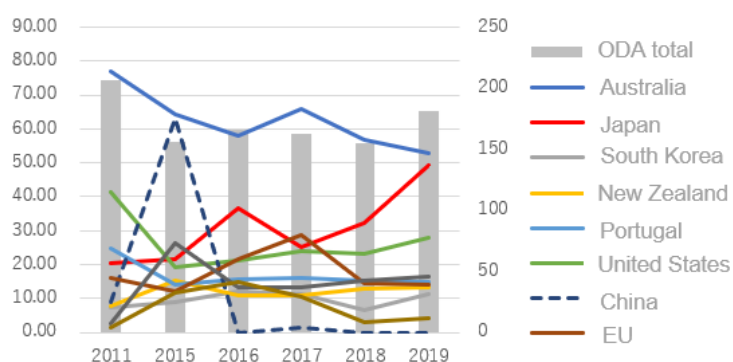


(Source) World Development Indicators (World Bank 2021)

Figure 5 Timor-Leste's total ODA and its share of government expenditure and GNI

ODA funding accounts for around 10% of Timor-Leste's nominal gross national income (GNI) and 20–25% of general government final consumption expenditure, indicating that the country is not highly dependent on aid.

In the OECD/DAC Report on Cumulative ODA Disbursements for 2011–2019, both bilateral and multilateral, Australia was reported to be the top donor with about \$620 million, far ahead of second-ranked Japan (about \$240 million) and third-ranked United States (about \$230 million). In the reconstruction period (2002–2010), these numbers were as follows: Australia (about \$620 million), Portugal (about \$440 million), and the United States (about \$290 million) (Table 3, Table 4).



(Source) Creditor Reporting System (OECD 2021) produced by the Evaluation Team

(Note) Total expenditure, nominal value

Figure 6 ODA Amount for Top Donors to Timor-Leste (2015–2019)

(2) Verification Item 2: Achievement and Contribution from Japan's ODA for Each Development Issue (outputs/outcomes)

Looking at the overall evaluation of projects completed before JFY2015 for which an ex-post evaluation report had been issued, it was found that the evaluation of technical cooperation was generally low, with four “C” projects and two “D” projects. The main reason for this trend was sustainability and a lack or insufficiency of government capacity for maintenance, planning, and monitoring. In the subsequent technical cooperation, emphasis was placed on supporting the Timor-Leste government in strengthening the capacity of C/P (for instance, the Project for the Capacity Development of Road Services in Timor-Leste [CDRS] [2016–2019] and the Project for Community-Based Sustainable Natural Resource Management [CBNRM] [2016–2020]). At present, however, it is difficult to make an accurate assessment of the extent to which this capacity building has produced results (Answers from interviews are as follows: there is medium-level development of road and agriculture projects; competent NGOs are being trained and their members are employed as staff on behalf of government officials in natural resources management; and the capacity of the Timor-Leste side is enhanced gradually during the Project for Capacity Development of the Faculty of Engineering, Science and Technology, the National University of Timor-Leste [CADEFEST] Phase 2 [2016–2021] [Table 6]).

Most of the projects had cost overruns and deadline extensions, resulting in a rather low rating in the JICA Evaluation Report. It cannot be said that the inputs were invested efficiently or appropriately. As a symbolic example, the only ODA loan provided to Timor-Leste fell far short of its cost estimate at the time of screening, and the civil engineering work was completed in August 2020¹¹ after the ADB, instead of Japan, provided additional loans to cover the shortfall. In addition, with regard to grant aid, there were cases in which projects were delayed due to delays in customs procedures as construction materials had to be imported.

¹¹ Interview with Nippon Koei Corporation (conducted in October 2021). After the civil engineering work was completed, the project was handed over to the Ministry of Public Works in February 2021 following a maintenance and repair warranty period of about six months before delivery.



National Road No.1 (Information Board)



UNT Engineering Department



National Road No.1 (Dili-Manatuto)



New Ferry Terminal

Figure 7 Project Photos

Photos taken by the Evaluation Team

Table 4 Outline of Cases Where Interview Surveys Were Conducted

Project name (amount: 100- million-yen), [period/JFY]	Project Objectives/Benefits	Matters related to the validity of results (Activities, Outputs, Outcomes)
National Road No.1 Upgrading Project (52.78) [2012–2020]	To improve the logistics network in the northern part of Timor-Leste by constructing an all-weather road that enables safe and smooth traffic in the northern corridor connecting the capital Dili and Baucau, the second largest city, thereby contributing to the country's economic development	<ul style="list-style-type: none"> •The implementation package was divided into PKG-1 (56.4km) and PKG-2 (57.7km). Due to the high cost of the project, JICA support was provided only for PKG-1, while the construction of PKG-2 was financed by ADB. •No Japanese companies participated in the construction bidding, and two Chinese companies were commissioned to construct the project (Possibility that Japanese funding is not clear to the local people).

The Project of River Training for the Protection of Mola Bridge (11.34) [2013–2016]	To prevent scouring of the Mola Bridge located on National Road No. 2, which connects the north and south of Timor-Leste, and to improve the seawall of the Mola River, thereby preserving the function of the bridge and seawall and contributing to the improvement of the traffic function of the bridge	<ul style="list-style-type: none"> •FY2018 External Ex-post Evaluation Report noted that the project has “largely achieved its objectives. Therefore, effectiveness and impacts of the project are high.”
The Project for Construction of Upriver Comoro Bridge (detailed design) (0.86) [2014–] The Project for Construction of Upriver Comoro Bridge (26.05) [2015–2018]	To construct a bridge and access road connecting the east and west sides of the capital city of Dili to reduce traffic congestion by decentralizing traffic in the city, thereby contributing to economic revitalization and resilience by increasing the efficiency of east-west access and strengthening the transportation sector	<ul style="list-style-type: none"> •Construction was completed in 2018, more than a year later than planned. Tentative traffic surveys have been conducted, and improvements have been made toward achieving the target, but full-scale operational effectiveness indicators have not been confirmed. •As for land expropriation and resettlement measures, the Timor-Leste side did not have the experience and capacity to implement them, thus a Japanese consultant implemented them on their behalf.
Project for Study on Dili Urban Master Plan [2014–2016]	To contribute to the sustainable development of the Dili metropolitan area and the improvement of the living environment based on comprehensive urban planning by preparing an urban development master plan for 2030 and an action plan for 2020, transferring technology related to urban planning, and providing advice on the development of legal systems related to urban planning that the Timor-Leste government is preparing	<ul style="list-style-type: none"> •Steady implementation of planned outcomes •It was noted that as of 2021, it would be desirable to update the master plan that has been developed.
The Project for the Construction of New Buildings for the Faculty of Engineering, Science and Technology of the National University of Timor-Leste (22.31) [2016–2018]	To improve the educational environment at the Faculty of Engineering, Science and Technology at UNTL by constructing new buildings and equipping them with equipment, thereby contributing to the creation of a foundation for economic revitalization in the country	<ul style="list-style-type: none"> •The construction period was delayed by three months. Workers were hired from abroad (mainly from Indonesia), and it took time to obtain work permits (visas) for them. •The defect inspection could not be carried out on site due to the COVID-19 pandemic, but it was confirmed through the subcontractor and there were no problems.
The Project for the Capacity Development of Road Services in Timor-Leste (CDRS) [2016–2019]	To strengthen the road maintenance and management capacity of the Ministry of Public Works and the Department of Roads, Bridges and Flood Control by conducting activities to establish more appropriate road maintenance and management, improve construction management capacity, and develop a standard collection of maps, thereby contributing to the improvement of the maintenance and management status of trunk roads throughout Timor-Leste	<ul style="list-style-type: none"> •Addressed the lack of technical and enforcement management skills of government officials: The support itself was implemented as planned, but it was noted that there is an urgent need to train young engineers, without which the support will not take root. •Problems exist in the budget system for road maintenance and management. It has been pointed out that without a system that allows for stable investment in public works, it is difficult to implement effective maintenance and management.

The Economic and Social Development Program (1.50) [2015–]	To support economic and social development, including the development of the port sector, and contribute to the promotion of a better investment environment in the Asia Pacific region	<ul style="list-style-type: none"> • Procurement of equipment required for operation and maintenance of the port (excavators, elevating vehicles, forklifts, etc.), equipment required for safe use of the port (tide gauges, acoustic probes, aluminum boats, etc.), and crisis management equipment required for an international port (CCTV camera systems, etc.) • The two foreign-made equipment items were acoustic probes and CCTV camera systems. As for the others, locally available equipment was procured.
The Project for Urgent Relocation of Ferry Terminal in Dili Port (21.97) [2016–2019]	To promote the separation of cargo and freight through the relocation and expansion of the ferry terminal at the international port of the capital Dili to meet the increasing demand for passenger and cargo transportation and to ensure safe and efficient operations, thereby contributing to the promotion of economic activities by improving access to enclaves and remote islands and expanding maritime transportation	<ul style="list-style-type: none"> • Ferry service began in 2018, and another German-supported ferry service was scheduled to begin in 2020 (delayed), with a new ferry terminal relocated and built to accommodate it. • Passenger and cargo traffic was expected to increase between Atauro-Oecusse and Dili (actual results not as predicted due to COVID-19). • Materials were imported from Indonesia, and customs clearance was delayed.
The Project for Increasing Farming Households' Income by Strengthening Domestic Rice Production in Timor-Leste [2016–2023 ongoing]	To improve the agricultural income of selected farm households through rice production by improving the rice value chain (production, manufacturing/processing, distribution, and sales/consumption), mainly in four Timor-Leste provinces (Bobonaro, Baucau, Dili, and Liquica), thereby contributing to the improvement of the livelihood of farm households in the target provinces	<ul style="list-style-type: none"> • The outcome indicators are scheduled to be confirmed as of 2023, and at the time of evaluation, progress was being made toward achieving the targets. Some of the outcome indicators have already been achieved as of 2020. • In the Manatuto Irrigated Rice Project Phases 1 and 2, Japanese people have been assigned to the Agricultural Policy Advisor and the Irrigation Policy Advisor. Japan is considered to have a strong advantage in rice cultivation and irrigation.
The Project for Community-Based Sustainable Natural Resource Management (CBNRM) Phase II [2016–2020]	To strengthen the capacity of implementing actors such as the National Directorate of Forestry and Watershed Management (NDFWM) and NGOs through the development of a roadmap, institutional strengthening, and human resource development to disseminate the CB-NRM mechanism at the basin level (Comoro River basin and Lacro River basin), thereby disseminating the CB-NRM mechanism to several major basins	<ul style="list-style-type: none"> • The project has sought to introduce and disseminate the community-based natural resource management (CB-NRM) mechanism. The project has generally achieved its goals in the target areas but has not yet been able to spread the mechanism to other areas more widely. • The CB-NRM mechanism was implemented through local re-contracting operations. Implementation of on-the-job training for other local stakeholders (staff from other DPs and NGOs) was incorporated as part of the work of the re-contractor.
The Project for Electoral Assistance for Social Inclusion, Multi-Tier Governance and Strengthening of	To ensure that the 2018 elections are conducted in a free, fair, and peaceful manner, it supported (1) electoral commissions, voter education, and political participation; (2) political journalism; (3) fair electoral systems; and (4) secure elections	<ul style="list-style-type: none"> • The project was a successor to the 2013–2016 “Strengthening Peacebuilding in Timor-Leste through Effective and Accessible Justice System, Social Dialogue and Policing Services.” • Reported to have contributed to the smooth conduct of the 2018 democratic

Rule of Law (UNDP partnership) (3.88) [2016–2019]		elections (UNDP Final Report)
The Economic and Social Development Program (2.00) [2017]	To contribute to the economic and social development of the country by improving health and medical services (Medical equipment related to emergency medicine and obstetrics and gynecology was provided to Dili National Hospital)	<ul style="list-style-type: none"> •Due to the increase in population and the deterioration of equipment, the maintenance of medical equipment has become an urgent issue, and equipment for obstetrics and gynecology, emergency rooms, and ICUs, which are of high priority and which the implementing organizations wish to strengthen, were provided. •All equipment was made by foreign manufacturers. End users wanted to use equipment they were familiar with, and all three bidders used equipment made by foreign manufacturers, thus there were no Japanese manufacturers.

(Source) Interview by the Evaluation Team

The following paragraphs outline the status of outputs and outcomes by priority area.

(i) Development and Improvement of Socioeconomic Infrastructure

As for the National Road No. 1 Upgrading Project, it is too early to verify whether friendly synergies with technical cooperation (road maintenance and management) will be generated due to the delayed completion of the ODA loan project. Nevertheless, the construction of the main road is economically viable as the section has the heaviest traffic in Timor-Leste. Although an ex-post evaluation has not yet been conducted, it is presumed that the outcome can be high. The construction of two bridges with a grant aid was also reported to be highly effective and have made highly positive impacts in the JICA ex-post evaluation report. The construction of the Dili Port was also highly effective and made highly positive impacts, as it was expected to increase the number of passengers and cargo between Atauro Oecusse and Dili before the COVID-19 pandemic disrupted logistics.

Table 5 Outline of Projects in Priority Area 1 (Unit: billion yen)

Project Name (Period)	Scheme	Investment
National Road No.1 Upgrading Project [March 2012–August 2020]	Loan Aid	52.78
The Project of River Training for the Protection of Mola Bridge (2012) [2013–2018]	Grant Aid	11.08
The Project for Construction of Upriver Comoro Bridge (Detailed design) (2014)	Grant Aid	0.86

The Project for Construction of Upriver Comoro Bridge (2015) [2014–2017] (Completed in 2018)	Grant Aid	26.05
The Project for Urgent Relocation of Ferry Terminal in Dili Port [May 2016–Oct. 2018]	Grant Aid	21.97
The Project for the Capacity Development of Road Services in Timor-Leste (CDRS) [Feb. 2016–Dec. 2019]	Technical Cooperation	n.a.

(Source) MOFA Japan's ODA Data by Country

(Note) This does not include information on the dispatch of experts, training, technical cooperatives, etc., which are not included in the ODA country data (see Appendix).

(ii) Promotion of Industrial Diversification

The IMF has pointed out that the 3% ESI (Estimated Sustainable Income) rule in the Petroleum Fund Law (enacted in 2005, revised in 2011) is often exceeded due to non-compliance; thus, industrial diversification is required. Japan's grant assistance for the agricultural sector through the Project for the Rehabilitation and Improvement of the Buluto Irrigation Scheme has achieved a certain level of success. Support for rice cultivation in Timor-Leste, where rice is the staple food, has been recognized as an effective and high-impact area. In this regard, the "Project for Increasing Farming Households' Income by Strengthening Domestic Rice Production in Timor-Leste" has been under progress since September 2016 (the initial plan was to complete the project in September 2021, but it has been extended to December 2023). The project has contributed to increased rice production in the areas targeted for support, but the effect in other areas has not been verified yet.

Support for fisheries is expected, but it would be limited to human resource development (training in Japan), with concrete commercialization being an issue for the future.¹² On the other hand, private sector collaboration in road slope disaster prevention is in the process of being commercialized. The Project for Community-based Sustainable Natural Resource Management (Technical Cooperation) has been successful in introducing community-based natural resource management mechanisms in several pilot districts while utilizing local NGOs in the supported areas. At present, the project has not yet been developed and disseminated nationwide, but in the next phase (April 2021–), it is expected

¹²A survey to collect basic information for the promotion of fisheries based on the findings of the study has already been conducted, and a decision has been made to dispatch an advisor for fisheries development, with commercialization expected in the future.

to be developed into a national project with enhanced cooperation with other donors through the Green Climate Fund.

Table 6 Outline of Projects in Priority Area 2 (Unit: billion yen)

Project Name (Period)	Scheme	Investment
The Project for the Rehabilitation and Improvement of the Buluto Irrigation Scheme [Nov. 2013–Jan. 2016]	Grant Aid	14.99
Supporting Economic Activities by Agricultural Women [Oct. 2013–Sept. 2018]	Grant Aid	11.08
Project for Agriculture Master Plan and Irrigation Development Plan [Sept. 2013–May 2015]	Technical Cooperation	n.a.
Grassroots Partnership “Enhance Community Health Workers (CHW) Activities through SISCa in Hatolia Sub-District” [Jan. 2014–Jan. 2017]	Grant Aid	0.49
Project for Study on Dili Urban Master Plan [April 2014–Oct. 2016]	Technical Cooperation	n.a.
Project for Increasing Farming Households' Income by Strengthening Domestic Rice Production in Timor-Leste [Sept. 2016–Sept. 2021] (Extended until December 2023)	Technical Cooperation	n.a.
The Project for Community-Based Sustainable Natural Resource Management (CBNRM) Phase 2 [August 2016–August 2020]	Technical Cooperation	n.a.
Private sector collaboration projects (SME support type) “Feasibility Survey for Road Slope Disaster Prevention in Timor-Leste” (2018)	Technical Cooperation	n.a.
Private sector collaboration projects (SME support type) “Feasibility Study for Global Food-Value Chain System Construction Utilizing ‘Harikai’ Method of Producing High Value-Added Seafood” (2018)	Technical Cooperation	n.a.
Grassroots Partnership “Human Resource and Institutional Development for System Construction of Resource Circulation by Composting Unused Resources.” [March 2020–Sept. 2023]	Grant Aid	0.81

(Source) MOFA Japan’s ODA Data by Country

(Note) This does not include information on the dispatch of experts, training, technical cooperation, etc., which are not included in the ODA country data (see Appendix).

(iii) Improvement and Expansion of Social Service Delivery

Although not mentioned in the table, several organizations expressed their appreciation for Japan’s support for vaccine supply to help prevent the spread of the new coronavirus infection after 2020. Under a JDS program (The Project for Human Resource Development Scholarship by Japanese Grant Aid), students are

returning to their home countries after studying public administration and other subjects at Nagoya University, Hiroshima University, and other universities across the country. A system design that links in-company training programs (internships) is required, such as applying a system like the “Master’s Degree and Internship” program in the African Youth Initiative for Industrial Human Resource Development (ABE Initiative) to students from Timor-Leste (The Republic of Korea has applied a similar system to Timor-Leste).

Governance support, including judicial system reform, improvement of police facilities and capacity, election support, and support for raising public and media awareness, is being provided in collaboration with the UNDP. Support was provided in 2013–2016 and 2016–2019 for the 2017 elections, with additional support likely for the 2022 elections.

Table 7 Outline of Projects in Priority Area 3 (Unit: billion yen)

Project Name (Period)	Scheme	Investment
The Economic and Social Development Program (2015)	Grant Aid	1.50
The Project for the Construction of New Buildings for the Faculty of Engineering, Science and Technology of the National University of Timor-Leste (2015)	Grant Aid	22.31
The Project of Effective and Accessible Justice System, Social Dialogue and Policing Services for Peacebuilding (UNDP partnership) (2016)	Technical Cooperation	2.63
The Project for Enhancing Women’s Meaningful Leadership and Participation in State Building and Development in Timor-Leste (UN partnership) (2016)	Technical Cooperation	2.94
The Project for Electoral Assistance for Social Inclusion, Multi-Tier Governance and Strengthening of Rule of Law (UNDP partnership) (2016)	Technical Cooperation	3.88
Project for Capacity Development of the Faculty of Engineering, Science and Technology, the National University of Timor-Leste Phase 2 (CADEFEST Phase 2) [August 2016–August 2021]	Technical Cooperation	n.a.
The Economic and Social Development Program (2017)	Grant Aid	2.00
Project for Development of Birth Registration System in Timor-Leste (through UNICEF)	Grant Aid	2.73
The Project for Human Resource Development Scholarship (JDS) (2018)	Grant Aid	1.59
Strengthening Science and Mathematics in Primary Education in Timor-Leste (through UNSECO) (2018)	Grant Aid	2.27
Grassroots Partnership “Educational Radio Program Development Initiative in Timor-Leste” [Sept. 2019–August 2021]	Technical Cooperation	n.a.
Grassroots Partnership “Coffee Field Improvement Project” [Oct. 2019–Sept. 2024]	Technical Cooperation	n.a.
The Project for Human Resource Development Scholarship (2019)	Grant Aid	1.49
The Project for Human Resource Development Scholarship (2020)	Grant Aid	1.49

The Economic and Social Development Program (2020)	Grant Aid	5.00
Grassroots Partnership “Educational Support Project for ‘Realizing Public Health Based on Residents’ Needs’ at Paz University” [Sept. 2020–August 2023]	Technical Cooperation	n.a.

(Source) MOFA Japan’s ODA Data by Country

(Note) This does not include information on the dispatch of experts, training, technical cooperatives, etc., which are not included in the ODA country data (see Appendix).

Based on the above discussion, it is judged that the outputs and outcomes in Priority Area 3 are "on track" (under realization).

(3) Verification Item 3: Effectiveness of Assistance in Priority Areas (outcomes, impacts)

In the case of financial cooperation (loan or grant), the outcome/impact is usually assessed two to three years after the completion of the project. In the case of technical cooperation, the outcome is often assessed at the completion of the project. However, since ex-post evaluations of many projects have not been conducted, it was decided to determine whether the outcome/impact was on track to be realized by using circumstantial evidence and field surveys, despite the lack of objective data.

(i) Development and Improvement of Socioeconomic Infrastructure (Priority Area 1)

The road and bridge project has enhanced transportation capacity (outcome achieved), but the impact of this achievement on the local economy and poverty reduction, which are the higher goals, will have to be verified when economic activities resume after the end of the COVID-19 pandemic. In addition, while convenience has improved, an increase in traffic accidents has also been reported. The overall capacity building in the road sector, including traffic rules, is required.

The delay in road maintenance has been noticeable; JICA has been supporting the capacity building of government agencies, but the delay in progress is largely due to the budget system and budget shortage of the recipient government. The World Bank has proposed the establishment of a road maintenance fund to finance road maintenance.

Furthermore, the completion of the ferry terminal (The Project for Urgent Relocation of Ferry Terminal in Dili Port) has enabled stable marine transportation, and operations have already begun (outcome), but the promotion of economic activities through improved access to enclaves and remote islands and expanded

marine transportation (impact) will be an issue to be verified after the end of the pandemic.

As described above, although the impact of infrastructure projects has not yet been ascertained given that it takes time for the effects to be realized, the results have generally been achieved at the outcome level. Therefore, the effectiveness of the results for Priority Area 1 is evaluated as “Satisfactory.”

(ii) Promotion of Industrial Diversification (Priority Area 2)

Industrialization of agriculture is one of the ways to reduce dependence on oil. An ex-post evaluation of the Project for the Rehabilitation and Improvement of the Buluto Irrigation Scheme is underway. The project is currently under evaluation (JICA ex-post evaluation) to determine whether it has improved farmers’ livelihoods (outcome and impact) by increasing rice yield, cropped area, and irrigated area (output).

Although aid interventions temporarily improve the livelihoods of the people involved, the issue of whether or not the livelihoods are maintained and improved after the interventions is related to sustainability (self-sustaining development), and this is an item that should be monitored.

Although ESI (3%) was temporarily achieved in FY2020 due to a decrease in expenditure caused by COVID-19, the country has yet to realize a shift away from its dependence on oil through industrial diversification. Continued support for agriculture (and fisheries) will be necessary even after the pandemic.

However, support for reducing oil dependency is not something that Japan can implement on its own; it should be pursued in collaboration with the Timor-Leste government and other donors. In view of the above, the effectiveness of the results for Priority Area 2 is evaluated as “Partially Unsatisfactory.”

(iii) Improvement and Expansion of Social Service Delivery (Priority Area 3)

The National University of Timor-Leste (UNTL) (The Project for the Construction of New Buildings for the Faculty of Engineering, Science, and Technology) was transferred in 2018, and the new building was completed in January 2020 (by Rinkai Nissan Co., Ltd.). Emeritus professors from Gifu University and others are teaching at the university and staying there as JICA experts. This is a positive example (good practice) of the synergistic effect of grant aid and technical cooperation.

The Project for Human Resource Development Scholarship by Japanese Grant Aid (JDS) began in 2018, and trainees are beginning to return home after

completing their master's programs at Nagoya University (graduate school) and other institutions. The trainees and their supervisors reported that the scheme could have been even more effective if it had been linked to corporate training and internships.

Support for human resource development such as science and mathematics education, judicial and police systems, election support, and other areas of governance have been implemented through technical cooperation and UN collaboration, some of which have produced tangible results. However, the interviewees expressed hope that Japan's "hidden comparative advantage" would be utilized in areas such as supporting the development of legal professionals for the safety of business transactions.

In addition, although it was not in the original plan of Japan's Country Assistance Policy for Timor-Leste (2017), highly urgent support, especially for COVID infection control, has been strengthened. These efforts have generally progressed well, and the possibility of outcome/impact is high. Therefore, the effectiveness of the results for Priority Area 3 is judged to be "Satisfactory."

<Summary of the Effectiveness of Assistance>

An overall analysis of the results by priority area / development issue shows that the results are generally highly effective; thus, the overall effectiveness of the results is evaluated to be "Satisfactory."

3-1-3 Appropriateness of Processes

With the objective of evaluating the Appropriateness of the Processes of Japan's ODA to Timor-Leste, this section makes an assessment based on the three predetermined verification items: (1) Appropriateness of the formulation process of Japan's Country Assistance Policy for Timor-Leste, (2) Appropriateness of the implementation process of Japan's ODA to Timor-Leste, and (3) Coordination/collaboration and considerations in the implementation process of Japan's ODA to Timor-Leste. After confirming the systems and procedures that led to the formulation and implementation of ODA, there will be an examination of whether appropriate processes were implemented to ensure the Relevance of Policies and Effectiveness of Results, such as whether initiatives and approaches in the processes were appropriate and whether social, ethnic, and other considerations were taken into account. The details of the verification are shown in Appendix 2-1-3.

(1) Verification Item 1: Appropriateness of the Formulation Process of Japan's Country Assistance Policy for Timor-Leste

Japan's Country Assistance Policy for Timor-Leste was formulated in 2017, about five years after the last country assistance policy had been set, with reference to the Timor-Leste government's SDP (2011–2030) and the SDGs (2015–2030). It was finalized after considering the comments from the Embassy of Japan in Timor-Leste, JICA Timor-Leste Office, the Government of Timor-Leste, and public comments within Japan, so the formulation process was appropriate.

With regard to the appropriateness of cooperation programs for resolving issues in the basic policy and priority areas, the formulation, selection, and adoption of projects are conducted by the Ministry of Foreign Affairs of Japan and JICA based on an annual request survey to the Timor-Leste government, considering consistency with development issues, cooperation programs, and policies in each priority area. Embassy and JICA representatives participate in local donor meetings to continuously understand the local needs. The Country Assistance Policy was formulated based on this information. A local ODA task force was established, and consultations with the government of Timor-Leste were properly conducted by the collaboration among the Ministry of Foreign Affairs of Japan, the Embassy of Japan in Timor-Leste, and the JICA Timor-Leste Office.

Therefore, Japan's ODA policy for Timor-Leste can be said to have been formulated through a generally appropriate process.

(2) Verification Item 2: Appropriateness of the Implementation Process of Japan's ODA to Timor-Leste

The local ODA task force held consultations with the Timor-Leste side in cooperation with the embassy and the JICA office, sharing information, exchanging opinions, and following up on and monitoring existing projects. At the Ministry of Foreign Affairs, the International Cooperation Bureau (Country Assistance Division) was in charge of planning and shaping projects in cooperation with embassies, including the formulation of country-specific plans for economic cooperation. On the other hand, the Southeast and Southwest Asian Affairs Department was in charge of a comprehensive foreign policy for Timor-Leste, and the two divisions worked in tandem to fulfill their respective roles. The embassy worked actively to publicize ODA projects, especially those commissioned to non-Japanese companies, and to promote Japan's assistance.

Monitoring is conducted on the project level, and information is managed mainly by JICA offices. However, the monitoring system is not clearly defined, and the accuracy of monitoring and information varies from project to project and is not always managed in a comprehensive manner. In the field of roads, agriculture, and natural resource management, and others, the Timor-Leste government lacks the capacity to conduct adequate monitoring. On the other hand, for projects directly managed by MOFA that are not implemented by JICA, monitoring is conducted locally, and the information is kept at the Ministry and Embassy.

Some issues in the implementation process were pointed out through the project-specific interviews (Table 10).

Table 8 Issues Related to the Appropriateness of the Processes for Each Case (Interview Results)

Priority Areas	Project Name (Amount: 100 million yen, JFY)	Issues Related to the Appropriateness of the Process
Development and Improvement of Socioeconomic Infrastructure	National Road No.1 Upgrading Project (52.78) [2012–2020]	<ul style="list-style-type: none"> •The consulting service portion was handled by Nippon Koei for both construction areas, but due to the expiration of the contract, Nippon Koei withdrew from the project in 2019 pending completion. •Because the completion report has not been prepared, post-completion monitoring (actual measurement of operational effectiveness indicators) has not been implemented.
	The Project of River Training for the Protection of Mola Bridge (11.34) [2013–2016]	<ul style="list-style-type: none"> •In the ex-post evaluation, it was pointed out that the sustainability of the project was affected by the lack of staff and budget for the engineers responsible for maintenance and management, and that the road surface of the bridge was in need of maintenance. •The construction work was carried out smoothly by employing local laborers and other considerations.
	The Project for Construction of Upriver Comoro Bridge (Detailed Design) (0.86) [2014-] The Project for Construction of Upriver Comoro Bridge (26.05) [2015–2018]	<ul style="list-style-type: none"> • Collaboration with a Technical Cooperation Project, “The Project for the Capacity Development of Road Services in Timor-Leste (CDRS)” at the same time (Same consulting company in charge of implementing both projects) • Experiences after the completion of the Mora Bridge (collapse around the piers, etc.) were also utilized.
	Project for Study on Dili Urban Master Plan [2014–2016]	<ul style="list-style-type: none"> • In addition to the Ministry of Public Works, the Ministry of Planning and Strategic Investment was also involved in urban planning. Thus, the program is dependent on the structure of the Timor-Leste side. • There was a “Dili Vision” initiative by UNICEF. In addition, Portugal provided consulting services, from which other plans emerged, and the Timor-Leste side was not able to

		organize the various initiatives among donors.
	The Project for the Construction of New Buildings for the Faculty of Engineering, Science and Technology of the National University of Timor-Leste (22.31) [2016–2018]	<ul style="list-style-type: none"> • The project received both hardware and software support, as well as Technical Cooperation (Project for Capacity Development of the Faculty of Engineering, Science and Technology, the National University of Timor-Leste Phase 2 [CADEFEST Phase 2]). There were consultations with experts (faculty) during the design phase, but no consultations during the construction phase. • A Portuguese consultant prepared a master plan for the campus project and ordered a non-Japanese company to construct the school building, but the non-Japanese company did not construct the building and only the Japanese company realized the construction.
	The Project for the Capacity Development of Road Services in Timor-Leste (CDRS) [2016–2019]	<ul style="list-style-type: none"> • In the field of roads, the World Bank and ADB also provided support, and there was collaboration with these organizations, including the use of ADB-supported road master plans and the use of Japanese technical experts' proposals in ADB's infrastructure projects.
	The Economic and Social Development Program (1.50) [2015–]	<ul style="list-style-type: none"> • At the time of implementation of this project, the Port of Dili was under construction with the expansion of the JICA project, and the Port of Oecusse was also constructed with Japanese assistance; these port facilities required equipment for operation and maintenance. • At that time, JICA experts were dispatched to strengthen the operation system. Under the advice of the JICA experts, this project selected equipment necessary for the operation and maintenance of port facilities and for the safe use of the port.
	The Project for Urgent Relocation of Ferry Terminal in Dili Port (21.97) [2016–2019]	<ul style="list-style-type: none"> • Due to prior projects (The Project for the Rehabilitation of Dili Port in 2016, Oecusse Port Urgent Rehabilitation Project in 2010), Japan had a good and close relationship with the Port Authority and this project was implemented smoothly. • This was in the form of cooperation with Germany, which has provided ferry services. In addition, GIZ has been cooperating with the Port Authority on human resource development and port security (since 2013).
Promotion of Industrial Diversification	Project for Increasing Farming Households' Income by Strengthening Domestic Rice Production in Timor-Leste [2016–2023 ongoing]	<ul style="list-style-type: none"> • The project further deepened the business as a successor project based on the experience of The Project for the Rehabilitation and Improvement of the Buluto Irrigation Scheme (1.499 billion yen) [2013–2016] and Irrigation and Rice Cultivation Project in Manatuto - Phase 2 [2010–2015]. • Seeds of Life is a program funded by the Government of Timor-Leste and the

		Australian Centre for International Agriculture and has been implemented by the Ministry of Agriculture and Fisheries. On the other hand, this project is focused on rice and the rice value chain, so we are able to segregate them and exchange information as needed.
	The Project for Community-Based Sustainable Natural Resource Management (CBNRM) Phase 2 [2016–2020]	<ul style="list-style-type: none"> • There was collaboration with other donors (FAO provided support to villages introducing CB-NRM. In the forestry sector, FAO provided support for the introduction of Community Forestry [CF], which is highly relevant to CB-NRM. Collaboration was made to promote CF/CBNRM). • JICA will utilize the Green Climate Fund (GCF) for a project to disseminate and deploy the CBNRM mechanism, which will be launched in 2022.
Improvement and Expansion of Social Service Delivery	The Project for Electoral Assistance for Social Inclusion, Multi-Tier Governance and Strengthening of Rule of Law (3.88) [2016–2019]	<ul style="list-style-type: none"> • The project was commissioned by the UNDP to provide assistance in areas where direct Japanese assistance would be difficult and was positioned as an effort to support not only the renovation of facilities and provision of equipment (hard aspects), but also soft aspects such as election systems and citizen education by sending the UNDP to Europe. • Additional support will be provided for the next elections in 2022.
	The Economic and Social Development Program (2.00) [2017]	<ul style="list-style-type: none"> • This is the only grant aid project in the health sector. • Japan's support in the health sector is expanding with the granting of the Economic and Social Development Program in the health sector in FY2020 to combat COVID infections.

(Source) Results of the interviews

As described above, although there were some issues that needed to be addressed on the project level, the implementation process for Japan's ODA to Timor-Leste was generally appropriate in terms of the development and management of the basic implementation system, needs assessment, implementation of individual projects based on Japan's priority areas of assistance to Timor-Leste, monitoring and evaluation, and public relations.

(3) Verification Item 3: Coordination/Collaboration and Considerations in the Implementation Process of Japan's ODA to Timor-Leste

In the area of governance, Japan has continued to work with UNDP since its independence. The ODA loan project (National Road No.1 Upgrading Project) is a co-financing project with the ADB. In the area of grassroots human security, NGOs took the lead in implementing the project. Two private sector preparatory studies (2 projects) were conducted.

Cooperation with other donors and international organizations was facilitated mainly by the local ODA task force.

On the other hand, information on Japan's financial contribution to international organizations, such as trust funds provided by the Ministry of Finance, grassroots human security implemented by embassies, and economic and social development programs, is scattered and difficult to access. It is desirable for relevant organizations to share information on a daily basis.

As described above, it can be said that coordination and collaboration with other actors in development was taking place, and therefore, collaboration with other donors and aid agencies was appropriate as a process.

<Summary of the Appropriateness of the Implementation Process>

It was confirmed that the process involved in the formulation of Japan's cooperation policy with Timor-Leste, implementation of development cooperation, and coordination with other donors and aid actors was appropriate, so the appropriateness of the process is judged to be "Satisfactory."

3-2 Evaluation from a Diplomatic Viewpoint

3-2-1 Diplomatic Importance

(1) Importance to the International Community

While the balance of power in the Asia-Pacific has shifted since 2010, Japan has been supporting Timor-Leste since before its independence. This is because the Government of Japan recognized the diplomatic importance of Timor-Leste, which shared the values of liberalism and democracy. In addition, Japan's import of natural gas from Timor-Leste has been important from the perspective of Japan's energy security. Therefore, it can be said that Japan's assistance to Timor-Leste during the period under evaluation was of high diplomatic importance.

On the other hand, the Japanese government's support for Timor-Leste's efforts to join ASEAN (applied in 2011) did not fulfill its intended purpose during the period under evaluation. However, in light of the international situation described previously, it can be said that this was an important diplomatic initiative. In the future, it will be necessary to review the conventional methods of support, scrutinize the factors that have become barriers to ASEAN membership, and consider support that can effectively remove these barriers.

During the reconstruction period (around 2000–2010), Japan supported Timor-Leste's nation-building efforts as part of an "All Japan" (whole of the country)

strategy, including the deployment of the Self-Defense Forces to UN Peacekeeping Operations (PKO). Later, as the country moved into a period of take-off development (from 2011) and the balance of power in the Asia-Pacific shifted, the scope of Japan's ODA diplomacy naturally changed. For example, the fact that a foreign company¹³ won the loan aid project (National Road No.1 Upgrading Project) was the result of international competitive bidding based on procurement rules, and while this contributed to securing peace and stability in Timor-Leste, which was the initial intention, it left the Japanese government with some issues to address as it is committed to "visible" and "high-quality" assistance.¹⁴ As the road completion ceremony of this project is scheduled to be held in 2022, it is expected to seize this opportunity to implement active public relations activities for addressing these issues.

(2) Importance in Terms of Bilateral Diplomatic Relations with Timor-Leste

Aligning the ODA diplomacy of like-minded donors who share fundamental values, such as Australia and the United States, and supporting Timor-Leste in a mutually complementary manner has been beneficial to Japan's diplomatic relations with Timor-Leste. These efforts contributed to the formation of an international public opinion in which like-minded countries united to build a Free and Open Indo-Pacific.

However, the limited number of high-level visits to Timor-Leste by the Government of Japan is an upcoming issue. During the reconstruction period, the Cabinet members, including the Minister for Foreign Affairs (April 2000), the Secretary of the Defense Agency (August 2002), and Prime Minister Koizumi (April 2002), visited the country, but after that, there were no visits by Cabinet members until April 2016, with the last visit occurring in October 2018 when the Minister for Foreign Affairs visited the country.

In the current evaluation, interviews were conducted with former presidents and heroes of Timor-Leste's independence, including President Shannana Gusmão and Ramos-Horta, and former ministers, who expressed their gratitude for Japan's support. The Japanese ambassador attended the opening ceremony

¹³ Sinohydro (China Water & Electric) became the contractor and Nippon Koei became the consultant.

¹⁴ Although there were expectations that Japanese companies should be awarded the project because it was a Japanese aid project, the reality is that they were not qualified to participate in international competitive bidding (failed to pass the technical screening for bidding qualification). It remains to be seen what merit Japan can gain from a project that Japanese companies cannot participate in, not only from a diplomatic standpoint but also in terms of project formation.

of the ODA project and conveyed the significance of Japan's support for Timor-Leste. Thus, the role of ODA in strengthening bilateral relations between Japan and Timor-Leste was confirmed.

Table 9 Mutual VIP Visits

	Date	Name of Official
From Japan	Jun, 2016	Minister of Defense Gen Nakatani
	May, 2017	Member of the House of Representatives Gen Nakatani, as a Special Envoy of the Prime Minister
	Oct, 2018	Foreign Minister Taro Kono
	Apr, 2019	Special Advisor to the Prime Minister Kentaro Sonoura
	Aug, 2019	Parliamentary Vice-Minister for Foreign Affairs Norikazu Suzuki (Attending the Official Ceremony of the Commemoration of the 20th Anniversary of the Popular Consultation)
	Jan, 2020	Parliamentary Vice-Minister for Foreign Affairs Norihiro Nakayama (Attending 20th Anniversary Reception for Cooperation between Timor-Leste and Japan)
To Japan	Feb, 2016	Deputy Minister of Finance Helder Lopez (invited strategic practitioner)
	Mar, 2016	President Taur Matan Ruak
	Jun, 2016	De Souza, Minister of Public Works, Transportation and Communications
	Oct, 2016	Minister of Planning Strategic Investment Shannana Gusmão
	May, 2017	Minister of Finance Santana José Rodrigues Ferreira Viegas Cardoso (Attending ADB Annual Meeting)
	Jul, 2017	Minister of Public Affairs, Transportation and Communication, Gastão Sousa
	Mar, 2019	Dionisio da Costa Babo Soares, Minister of Foreign Affairs and Cooperation
	Nov, 2021	President of the National Council of Timorese Resistance (CNRT) Shannana Gusmão (Attending an Award Ceremony of an Honorary Doctorate from Sophia University and Kyoto University of the Arts)

(Source) MOFA Japan - Timor-Leste Relations (Basic Data) (2022)

(3) Timor-Leste's Understanding of Japan

Timor-Leste has yet to be recognized as an investment destination or business partner for Japanese companies. Although the country is classified as an LDC, it

is already a middle-income country in terms of per capita income level and is a politically stable democracy. However, the investment environment is underdeveloped, with frequent contractual defaults in commercial transactions; thus, Timor-Leste is not perceived as an attractive labor source or market for Japanese companies.

The local embassy and JICA office focused on public relations through their websites and social media. They were also active in publicizing the project through Timor-Leste media at ceremonies, such as the inauguration of ODA projects. For example, the Japanese ambassador sometimes appeared in a video teaching material on public health in elementary schools produced for the general public in Timor-Leste. In addition, through JICA's Japan Overseas Cooperation Volunteers, training programs, and the Japan-East Asia Network of Exchange for the Promotion of Understanding (JENESYS), people from Timor-Leste were invited to Japan to deepen their understanding of Japan.

Meanwhile, the Japanese public's understanding of and interest in Timor-Leste has not progressed significantly. One of the reasons for this may be the relatively small number of Portuguese and Tetum speakers in Japan. The Embassy of Timor-Leste in Japan could take the initiative of appointing a person who understands Tetum and has experience with JICA's Japan Overseas Cooperation Volunteers as a tourism ambassador to Timor-Leste, which would increase Japan's understanding of and interest in Timor-Leste.

3-2-2 Diplomatic Impact

(1) Impact on the International Community

Through co-financing with the ADB and contribution to UN agencies, Japan's presence and confidence in the international community can be said to have increased. However, the development of a positive impact in terms of communicating the significance of Japan's support for Timor-Leste to the international community has been limited. One of the reasons for this is that high-level diplomatic policies, such as the FOIP vision, have not been systematically commercialized and programmed as ODA projects for Timor-Leste.

International aid coordination provides a good opportunity to communicate the significance of Japan's ODA policy to the international community. In the future, it will be important to take the perspective that providing assistance to Timor-Leste in line with the efforts of like-minded countries, namely Australia and the United States, will contribute to achieving the higher goals of FOIP and QUAD,

such as marine resource management and territorial sea management, based on international rules.

(2) Impact on Bilateral Relations

Japanese nationals working in Timor-Leste are generally viewed favorably by the people, and it can be said that their understanding and sensitivity toward Japan has improved. Meanwhile, the Republic of Korea and Australia have been accepting nationals of Timor-Leste as short-term workers, which has increased the willingness of the people of Timor-Leste to learn Korean and English. In this regard, it is necessary to provide pragmatic incentives for people to learn Japanese. For example, accepting technical trainees and interns from Timor-Leste into domestic companies as ODA projects would encourage people to deepen their understanding of Japan and learn Japanese, eventually promoting friendly relations.

Table 10 Number of Japanese Nationals and Japanese Companies in Timor-Leste

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nationals	119	113	114	109	124	115	138	135	124	105
Companies	7	6	5	5	6	7	6	9	9	5

(Source) MOFA Japan (2011–2020) “Statistics on the Number of Overseas Residents”

(3) Impact on the Country, Companies, and People of Japan

The continued implementation of ODA has helped maintain economic relations and human exchanges between the two countries, which would have been stagnant without ODA. Conversely, it is impossible to verify any particular benefit to Japanese companies that are not involved in ODA projects. Issues such as FOIP, energy security, ASEAN membership, and human security are increasingly shared by some ODA stakeholders but have not yet grown to the point where they can have an impact on the Japanese people as a whole.

The first step is to communicate from the perspective of the Japanese people, focusing on why Japan supports Timor-Leste, what effects it brings, and what significance and value it has for the lives of the Japanese people. In this sense, individual ODA evaluation reports by country can be effective in informing the public of Japan’s ODA efforts. To this end, one idea is to utilize a platform that facilitates the participation of younger generations for disseminating the results of the current evaluation, including dissemination of SNS videos that allow for interactive information dissemination.

CHAPTER 4 RECOMMENDATIONS

4-1 Recommendations

(1) Recommendation 1: Supporting Timor-Leste's Economic Take-off through "High-Quality" ODA Provision

In order for Timor-Leste's economy to break free from its dependence on oil and natural gas and to "take off," Japan needs to define "Japan Quality," which is understood in different ways, as the "quality" that is ensured by Japan's comparative advantage and effective utilization. At the same time, it is important to reexamine what technologies and fields can truly be called "Japan Quality" and then strategically market them through the efforts of the public and private sectors. This would be a win-win strategy that would eventually lead to the revival of the Japanese economy. In this context, there is a shortage of human resources in Japan to take over the skills of the professionals of "Japan Quality," so effective use of overseas human resources is required. Fostering industrial human resources in Timor-Leste will contribute to the country's economic development by filling the shortage of human resources in Timor-Leste while also increasing global recognition of "Japan Quality," which in turn will be mutually beneficial for both countries.

In this regard, it can be said that the case of the National Road No.1 Upgrading Project (loan aid) did not optimize "Japan Quality" in the field of civil engineering and construction. Rather, agriculture and irrigation projects (grant aid and technical cooperation) and support for the National University of Timor-Leste (UNTL) (grant aid and technical cooperation) are examples of "Japan Quality" optimization. Therefore, it is necessary to carefully examine and redefine "Japan Quality." Such optimization of Japan's resources should be noted when formulating ODA projects.

Rather than relying indefinitely on the old form of thinking that Japan is the world's top donor, Japan should take the case of the National Road No.1 Upgrading Project as an opportunity to humbly re-examine and redefine Japan's comparative advantage, with the perspective that this introspection will contribute to the enhancement of Japan's presence as a donor and ultimately to the revitalization of the Japanese economy. Japan should return to the starting point

of its international cooperation,¹⁵ which acknowledged that helping other countries ultimately leads to self-help.

The International Finance Corporation (IFC), a member of the World Bank Group, mobilized the ADB and Australian aid (Department of Foreign Affairs and Trade) to develop the Port of Tibar through the country's first public-private partnership (PPP) and provide support for the institutionalization of PPPs. Japan also needs to broaden the scope of its support to include infrastructure development based on the PPP method rather than the conventional scheme of loans, grants, or technical cooperation.

(2) Recommendation 2: Expanding support for environmental infrastructure in anticipation of graduation from LDC

As examined in 3-1-1 (2) "Relevance of Policies," investment in "Quality Infrastructure" is not only a key element of Japan's international commitment ("G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment," May 2016, and "G20 Principles for Quality Infrastructure Investment," June 2019), but also important for the revitalization of the Japanese economy. Quality infrastructure investment is one that satisfies the following principles: (1) Maximizing the positive impact of infrastructure to achieve sustainable growth and development, (2) Raising economic efficiency in view of life-cycle cost, (3) Integrating environmental considerations in infrastructure investments, (4) Building resilience against natural disasters and other risks, (5) Integrating social considerations in infrastructure investment, and (6) Strengthening infrastructure governance (openness and transparency of procurement, financial sustainability, etc.).

Helping Timor-Leste's economy transition away from dependence on fossil fuel revenues (oil and natural gas), including through support from Japan and other donors, is consistent with the international goal of decarbonization confirmed at COP26 (held in Glasgow in November 2021) and will contribute to achieving the Sustainable Development Goals (SDGs). Supporting the decarbonization of Timor-Leste's economy will also contribute to the Clean Development Mechanism

¹⁵ According to "War Reparation for Eligible Countries and the Establishment of Relevant Economic Cooperation Measures" (May 1958, War Reparation Office of the Business Bureau of the Ministry of International Trade and Industry), "[b]y sincerely and aggressively implementing compensation and relevant economic cooperation, Japan can expect to secure a stable market for heavy industrial products and foster an import market for industrial raw materials, and it is highly expected to expand investment recipient market" (Okaito 2019, p.102).

(CDM) (1997 Kyoto Protocol), which was reaffirmed at COP26, while also helping fulfill Japan's international commitment to realizing a decarbonized society.

Expectations are high for Japan's support in developing environmental infrastructure. When Timor-Leste meets the criteria for graduation from the LDC program in the near future,¹⁶ the use of highly concessional ODA loan (with preferential interest rates ranging from 0.01% to 0.6%) under the STEP program as a support tool is worthy of consideration. In addition to the environment, STEP has been applied in the following fields: human resource development, disaster prevention, and health and medical care. Projects that contribute to CO2 reduction, such as transportation infrastructure, have been granted STEP in Indonesia, the Philippines, and Vietnam. In addition to the demand for airports, ports, and roads, support for the development of agricultural and industrial infrastructure with a view to the post-COVID economy is also worth considering (Timor-Leste's wish list for the SDP's medium- and long-term goals includes electricity, Internet access, and transportation networks, but the profitability of these needs to be examined).

(3) Recommendation 3: Fostering professionals and industrial workers in cooperation with the foreign technical intern training program

The number of skilled workers who supported Japan's post-war reconstruction and high-growth period (1950s–the late 1980s) is disappearing due to a decline in domestic demand and a shortage of successors as the population becomes an inverted pyramid and the industrial structure becomes more sophisticated. There is an urgent need to develop blue-collar (skilled and professional) human resources that can support Timor-Leste's economy and achieve continuous growth until 2030–40. Partnering with the foreign technical intern training program (Ministry of Health, Labor and Welfare) to pass on the skills of human resources in Japan can revitalize Japanese industry and be an example of mutually complementary development in both countries. As a specific method of cooperation, for instance, JICA's domestic centers may play a matching function. From the perspective of preserving local industries, each center could become a

¹⁶According to the UN standards, Timor-Leste has already met the LDC graduation threshold for two of the three criteria (GNI per capita, HAI [human asset index], and EVI [economic vulnerability index]). Timor-Leste has already met the LDC graduation standards for GNI and HAI and is estimated to have a high probability of graduating in the late 2020s if it meets the graduation requirement of "2 consecutive terms (6 years) in which the two indicators exceed the standard values."

regional hub and play a new role in connecting the rural areas in Timor-Leste and Japan.

For white-collar (managerial) positions, JDS (The Project for Human Resource Development Scholarship by Japan's Grant Aid), which traditionally focuses on the human resource development of government officials, has been implemented for administrative capacity building and institution building, policy and institutional development for industrial and economic development, transportation and transportation network development, and urban environment development. In the future, it is necessary to eliminate the old Japanese thinking (Galapagos thinking) that "human resources should be enclosed in organizations" and adopt the perspective of fostering human resources who can move back and forth between industry, government, and academia across national borders and nurturing leaders of national development with the idea that the mobility and activation of the labor market will develop the country. To this end, expanding the range of participants for JDS should be considered.

(4) Recommendation 4: Becoming a preferred country of investment through environmental improvement and promotion of tourism resources

According to the World Bank's Doing Business Index (2020), Timor-Leste ranks 181st out of 190 countries, with law enforcement at the bottom of the list. No investor is willing to take the risk of investing in a country where default on contracts is a common occurrence. To ensure the safety of commercial transactions, it is necessary to establish a legal and enforcement system that is less prone to non-compliance; this would help make the law work and enhance dispute prevention and arbitration capabilities. In this regard, Japan as one of the world's most rigid law-abiding states should play a significant role.

Utilizing Japanese legal professionals to improve Timor-Leste's laws, including civil, corporate, and tax laws, and develop local legal professionals, as has been done for Cambodia and Vietnam, is an important pillar of governance support and a "hidden comparative advantage" that Japan has accumulated. A legal advisor has already been dispatched to Timor-Leste (adopted in the FY2019 request survey), but it is also suggested that legal support be provided to further improve the investment environment, specifically by dispatching experts to the Ministry of Tourism, Commerce and Industry, which serves as a contact point for investors.

Timor-Leste is known as one of the best diving spots in the world because of its average temperature of 30–31 degrees Celsius and high transparency of the sea except during the rainy season from December to March. The SDP (2011–

2030) also emphasizes the diversification of industries with a focus on tourism, which should be promoted in order to convey Japan's hospitality culture.

(5) Recommendation 5: Contributing to overarching policy covering the entire infrastructure sector to create “resilient infrastructure”

In the history of Japan's post-war reconstruction, former Prime Minister Tanaka Kakuei, who introduced the gasoline tax and formulated the “Three Road Laws” used for road construction purposes, greatly shortened the time it took to pave Japan's roads, which was said to take 140 years. The gasoline tax was revolutionary in that it diverted part of the financial resources (budget) for road construction away from the Ministry of Finance (formerly the Okura-Sho) and gave it to the Ministry of Land, Infrastructure, Transport and Tourism (formerly the Ministry of Construction). Later, the construction of expressways by the Japan Highway Public Corporation (JHPC), which mobilized World Bank loans, further expedited road projects.

The transportation infrastructure that links the local economy in Timor-Leste is roads, and a part of the oil fund is used to finance maintenance and repair. In addition to the introduction of gasoline tax, road purpose tax, or toll tax, it is necessary to establish a road fund, visualize maintenance and repair needs, and design a system so that it can be financed from the market. In this respect, Japan can share the lessons learned from its history of roads, which had the lowest paving rate among OECD countries until the 1960s and the 1970s but caught up with the level of developed countries by the end of the 1980s.

Although Japan has not had the opportunity to engage in the kind of budget support that Australia is planning and implementing, as it emphasizes project-based assistance, it is important for Japan to enhance its presence in the field of budget systems, an area that is fundamental to the nation, by developing dialogue at the policy level. In view of this, the establishment of the above-mentioned Road Maintenance Fund is an area that should be promoted in order to convey the experience of Japan's post-war reconstruction through fiscal investment and loans, which was known as the second budget.

Japan is extremely prone to natural disasters and has one of the world's most resilient infrastructures. Japan's aid strategy should be based on the recognition that it is one of the most technologically advanced countries in the world and can boast of “Japan Quality” in developing not only transportation infrastructure, but also flood control systems and other infrastructure that can adapt to natural disasters.

In light of the above, JICA should actively participate in institutional design and negotiations, exchanging policy discussions with economists from the World Bank and ADB on an equal footing.

(6) Recommendation 6: Strategically expanding Japan's ODA to strengthen Timor-Leste's governance capacity

In the wake of the COVID-19 pandemic, the meaning of capitalism and democracy and the significance of the concepts are being questioned. In Japan's more than 2,000 years of history, including the past 150 years of modernization, the absorption and indigenization of foreign ideas has led to a democracy that emphasizes open discussion and has become an important part of the Japanese people's flesh and blood.

Although Japan's views on capitalism and democracy in the post-COVID era have not settled, Japan should act as a representative of liberal democracies in Asia, which is capable of building consensus through public debate. Japan should consider Timor-Leste as a liberal democratic partner and implement foreign policy to realize a "Free and Open Indo-Pacific" (FOIP). In the future, for high-level policies of diplomacy such as FOIP to be systematically commercialized and programmed as ODA projects for Timor-Leste, the priority areas of diplomatic support should be specified in the revision of the Country Assistance Policy. Therefore, it is desirable to consider the lessons and recommendations extracted from this evaluation as a direction for commercialization and programming.

Table 11 Recommendations in this Evaluation, Responsible and Supporting Organizations, Response Period, and Importance

Recommendations	Responsible and supporting organization* ¹				Response Period* ²	Importance*
	Headquarters Level		Field Level			
	MOFA	JICA Headquarters	Embassy of Japan	JICA Office		
(1) Supporting Timor-Leste's Economic Take-off through "High-Quality" ODA Provision	○	◎	○	◎	Short-term	◎
(2) Expanding support for environmental infrastructure in anticipation of graduation from LDC	◎	○	◎	○	Mid-term	◎
(3) Fostering professionals and	○	◎	◎	○	Short-term	○

industrial workers in cooperation with the foreign technical training system						
(4) Becoming a preferred country of investment through environmental improvement and promotion of tourism resources	◎	○	◎	○	Short-term	○
(5) Contributing to overarching policy covering the entire infrastructure sector to create "resilient infrastructure" / Establishing a "Road Fund" to financially break away from dependence on oil funds	○	◎	○	◎	Mid-term	○
(6) Strengthening diplomatic efforts with East Timor as a good example of liberal democracy / Strategically expanding Japan's ODA to strengthen Timor-Leste's governance capacity	◎	○	◎	○	Mid-term	◎

(Source) Produced by Evaluation Team

(Note) *1. Response and support organizations: ◎ Response organization, ○ Support organization,

*2. Response period: Short-term: within 1–2 years, medium-term: 3–5 years, long-term: 5 years or more

*3. Importance: ◎ High, ○ Medium